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Economy held hostage by coup plotters

meaningful dialogue.

Last weekend's historic anti-

apartheid conference in Johan-

nesburg reaffirmed the ANC's

public insistence on precondi-tions, which include the

release of Mr Mandela, ending the three-year state of emer-

gency, and unbanning political

organisations. However, both have shown

some flexibility on pro-condi-tions in recent weeks.

cause further dissatisfaction among radical blacks, who accuse Mr Mandela of negotia-ting without a mandate from those he represents, and who

fear he will make too many

compromises to reach a politi-

Senior leaders of the Mass Democratic Movement, the

country's largest anti-apart-beid grouping, said last night they did not know about yes-

terday's meeting. Even Mr

Walter Sisulu, the veteran ANC leader who met Mr Man-

dela for three hours on Tues-day, said he had not been informed.

News of the meeting will

No.31,024 of mancial times 1989

World News

Thursday December 14 1989

D 8523A

#### Congressmen press for bigger US defence cuts

The Bush Administration's proposals for squeezing US defence spending are being challenged by key congres-sional leaders for not going far enough, since they take insufficient account of the reduced Soviet military threat to Nato in Europe.

More than a month shead of the formal presentation of the defence budget for fiscal 1991, congressional leaders 1991, congressional leaders have signalled that a wideranging reassessment of US defence priorities and spending must be undertaken. Page 16

EC controls 'flawed' Serious flaws in the European Community's budgetary man-agement procedures are highagement procedures are man-lighted in a controversial report which alleges that con-trols over the EC's Ecu27bn (\$31.4bn) farm spending are madequate. Page 16

Croatia looks to poli The Communist Party in Croatia, Yugoslavia's second-biggest republic, endorsed multi-party rule, paving the way for free elections next April

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Prague to cut jobs The new Czechoslovak Government said 2,000 uranium min-ers would lose their jobs in the first announcement that its plans for economic restructuring could result in unem-

Poland backs banks Poland's Solidarity-led Govern-ment has authorised five major West European banks to open offices but they will not be allowed to trade with the pub-lic, a Finance Ministry official

Aquino powers vote The Philippine House of Representatives voted President Corazon Aquino emergency pow-ers for 90 days to help her rebuild the economy and thwert coup attempts. The Senate, expected to approve a simi-lar bill, postponed its vote for a day. Page Z; Philippines

More than 6,000 Vietnamese boat people staged angry dem-onstrations in three detention centres against Hong Kong's mandatory repatriation policy which started two days ago.

US boosts food aid The US, warning that Ethiopia faces a food shortage which could rival the famine of 1984-85, is giving a further 111,000 tonnes of assistance. It brings total US food commitments so far to 165,000 tonnes.

Dolhi frees rebels India's new minority govern-ment released five Kashmiri separatists in exchange for the Interior Minister's daughter, kidnapped five days ago.

Judges shut courts Judges in Medellin, Colombia, closed 508 courts in the city and surrounding areas in pro-test at the bus stop assassina-tion of a senior federal prosecu-tor who handled major narcotics cases.

Querrillas acquitted A Rome court acquitted 168 Red Brigades guerrillas charged with armed insurrection and inciting civil war, saying they had never seriously endangered the Italian repub-lic. The defendants had already been sentenced to jail terms for crimes in other cases.

Moscow burger blitz More than 25,000 Muscovites, eager to flip burgers beneath the golden arches, have swamped Moscow's first McDonald's hamburger restaurant with job applications, a restaurant spokesman said.

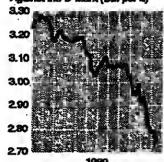
#### **Business Summary** Tokyo stock market soars

to reach record high The Japanese stock market

Nikkei index over 38,000 for the first time. The Nikkei closed at 38,062.42, up 258.88, with most brokers reporting buying from all kinds of investors. Page 17

D-MARK was prevented from rising as European central banks stepped in to sell the West German currency in an attempt to limit growing ten-

Against the D-Mark (DM per £)



sions within the EMS. In Lonrecovered some early losses and sterling closed slightly down at DM2.775. Currencies, UK GOVERNMENT is unhappy

about holding golden shares in privatised companies, which usually place limits on the size of single or foreign sharehold-ings, said Nicholas Ridley, Trade and Industry Secretary.

SOVIET UNION is to buy 500 cars from Nissan, apparently in a move to placate disgrun-tled coalminers in the Siberian city of Kemervo. Page 16 ASEA Brown Boveri, Swedish-

Swiss electrical engineering group, appears to be close to acquiring a majority interest in Zamoch, Poland's largest turbine and generator maker. Page 17

DAIMLER-BENZ, West German industrial group, has pul-led out of the bidding for Ferranti International Signal.

LONDON stock market's automated clearing and settlements system, Taurus, received the go ahead after eight years of effort. Page 8

US retail sales rose by 0.8 per cent to \$144.6bn in November,

according to preliminary fig-ures from the Department of DEUTSCHE BANK, West Germany's biggest bank, announced that profits surged

across the board in the first 10 months of 1989. Page 18 **INTERNATIONAL Monetary** Fund is expected to visit Peru next month to start talks on the development of an economic programme, following

a \$42.3m interest payment by Lima to the IMF. Page 3 VASP, Brazil's only govern-ment-owned sirline, which is struggling with debts of \$600m is to be privatised next year.

MOROCCO'S parliament has adopted legislation to privatise 113 enterprises including four banks and 37 hotels, said an official source. Page 6

INDIA is to introduce further "selective" import curbs in an effort to slow down the fall in its foreign exchange reserves. Page 6

MALAYSIA is to halve the minimum value of corporate bond issues to 25m ringgit (\$9.24m) from the beginning of next year. Page 20

EUROPEAN Community agreed to phase out by March 1992 its voluntary steel import quotas with all third countries, as part of its general agree-ment on trade with the US. Page 4

#### MARKETS

New York In \$1,59865 \$1.595 (1.6035) DM2.775 (2.78) FFr9.485 (9.51) Fr2.5125 (2.53) (229.75 (230.75) £ Index 86.7 (87.1) New York: Comex Feb 5412.9 (422.8) \$411.75 (417.25) H SEA OIL (Argus) Brent 15-da \$19.625 (19.475) Chief price changes yesterday: Page 17

\_\_\_\_\_\_

DOLLAR New York him DM1.735 2,386.2 (+22.7) FFr5.932 SFr1.5664 FT Ordinar 1,880.1 (+18.6) FT-A All-Share: 1,186.76 (+0.8%) DM1.74 (1.7345) New York lunch? FFr5.9475 (5.93) SFr1.575 (1.577) DJ Ind. Av. 2,765.57 (+13.44) Y144.1 (143.85) \$ Index 68.0 (68.3) Tokyo close: Y143.70 S&P Comp 353.15 (+1.42) US LUNCHTIME Tokyo: Nikkei Fed Funds 8% % 38,062.42 (+258.89) LONDON MONEY S-no Treneury Blac yield: 7.951% Long Bond: 1025 3-month Interba closing 151 % (151)

Liffe long gift tul yleid: 7.88% Mar 92,7 (9214) MARKET REPORTS: CURRENCIES, Page 34; BONDS, Pege 20, 21; COMMODITIES, Page 26; EQUITIES, Pages 27 (London), 35 (World)

# West pledges aid to reformed East bloc governments

By David Buchan in Brussels, Peter Riddell in Washington and Peter Norman in London

LEADING industrial countries yesterday announced their readiness to widen the scope of financial assistance to Eastern Europe to include East Ger-many, Czechoslovakia, Bul-

many, Czechoslovakia, Bulgaria and Yugoslavia.

A communique issued after a meeting in Brussels of foreign ministers of the Group of 24 aid donors, which include the European Community states, the US and Japan, said that aid under way to Poland and Hungary could be extended to the four other East European states "at the time they put states "at the time they put into place the necessary political and economic reforms."

The 24 confirmed previously-announced pledges of grants and soft loans totalling \$1bn for a currency stabilisation fund for Poland. This would be made available once Poland has reached agreement on a economic adjustment pro-gramme with the international Monetary Fund.

IMF and Polish officials have

indf and Polish officials have indicated that an agreement in principle with Poland on a \$725m IMF credit — a so-called letter of intent — could be in place by the end of the week. This would also make Poland immediately eligible for a \$500m bridging loan from member central banks of the Basle-based Bank for International Settlements, and the US. The US confirmed yesterday The US confirmed yesterday that it will contribute up to

\$200m towards the bridging loan. A White House spokesman said the American particlpation reflected "support for Poland's economic reform programme designed to restore sustained growth."

The bridging loan would be repaid by some of the proceeds of the IMF credit which will

of the IMF credit, which will take time to be formally approved, and from World Bank loans. The EC is also planning

Bulgaria Communists Nissan cars destined expel former leader

Bulgaria's Central Committee yesterday decided to move fast to end its automatic right to the leading role in government and expelled former leader Todor Zhivkov from the Communist Party. However, it also emerged that the new leader of the party, Mr Petar Miadenov, had threatened to resign because of mounting demands and criticism from more radical party members. Page 2

early next year a further Ecu200m (\$172m) grant in food Leszek Balcerowicz, said the IMP and the Polish Governaid to Poland, on top of the Ecu360m worth already pledged this year, said Mr Frans Andriessen, responsible ment have agreed on a mixture of an incomes policy and tight monetary policy.

To meet the Polish govern-ment's money supply targets for external affairs in the Euronominal interest rates could

pean Commission. The EC is coordinating the Western aid effort in Brussels and with newly-opened offices in War-saw and Budapest. Non-EC countries will con-tribute to the second slice of food aid for Poland, including Japan which is considering spending \$50m, some of it on buying Hungarian food and giving it to Poland. This would help both to put hard currency in Hungarian pockets and food in Polish months. The technique has already been used by Switzerland, which like Japan, but unlike the EC, the US and some other Western countries,

has no food surpluses to offload The European Community's plan for a European Bank for Reconstruction and Develop-ment yesterday attracted interest from some possible partici-pants outside the EC. The US and the Community also agreed to seek a link between the development bank and an American plan for a \$300m enterprise fund for Poland and Hungary.
At a conference organised by

the London School of Economics yesterday, an adviser to the Polish Government warned thet the agreement with the IMF could cause inflation in Poland to rise to between 50 per cent and 60 per cent a month in January before declining to a monthly rate of around 5 per cent in April and between 1 per cent and 2 per cent a month in the second half of next year. Mr Stanislaw Gomulka, an LSE economist and adviser to Polish finance minister Mr

# for unhappy miners

The Soviet Union is to buy 500 Nissan cars, apparently to placate Siberian miners in regions where strikes broke out last ers in regions where strikes broke out last summer. A Nissan spokesman said in Tokyo that the company had been told that the cars, representing a deal worth about \$2.7m and the largest Soviet order received by a Japanese car maker, would be shared among the miners and their representatives. Page 16

the start of 1990 before falling in line with inflation in Febru-

rise to 130 per cent a month at

ary and March. Mr Gomulka said that the IMF programme also implied a large devalua-tion of the Zloty in January. The programme harboured risks, he said. High interest rates, higher coal and energy costs and the depreciation of the currency would increase cost pressures. Economic restructuring would also lead

to job losses.

Mr Douglas Hurd, the UK foreign secretary, said in Brussels that Britain was giving \$100m to the Pollah stabilisation fund, out of total aid of \$244m next year to that country and \$20m to Hungary. But he warned that the challenge of political reform was out-stripped by the difficulty these countries faced "in moving from a command to a market economy, without falling into

the chasm in between."

Mr Michal Camdessus, tha IMF managing director, told the Brussels meeting that a Fund agreement with Hungary was also likely within the next

few weeks.

The group of 24 set no precise criteria or timetable on a possible broadening of aid beyond Poland and Hungary. In fact, with the rush of events in Eastern Europe, East Ger-many, Czechoslovakia and Bulgaria are now in the same political boat as Hungary, with free elections promised next

East Germany may join DEF, Page 2; Yeutter arges more investment in Poland, Page 3

#### China moves back to more centralisation

China's new hard-line leadership has retreated further from reform and reverted to greater central economic control and more curbs on private enterprise. New rules allocate a bigger share of output to the state, punishing the emergent free enterprise system. The move comes just as the West has begun to relax sanc-tions imposed after China's crackdown on its pro-democracy movement. Page 16



constitution for South Africa.

Reaction to the event was

mixed. The country's extreme

right Conservative Party,

which won 31 per cent of the white vote in last September's

parliamentary elections, imme-diately denounced the talks.

The initial response of black anti-apartheid leaders, some of whom fear hir Mandela may be

prepared to make too many compromises, was cautious. "We do not know what they

discussed, but we are certain Mandela cannot deviate from

the people's long-standing demands," said Mr Murphy

Morobe, a prominent activist.

The Ministry of Justice said that Mr Mandela, imprisoned since 1962, had requested the

meeting, which took place yes-terday morning at Tuynhuys, the President's office in Cape

Town. It is to be followed by further talks in the New Year.

It was not clear yesterday

whether these follow-up talks would take place before or

after Mr Mandela's release from prison, which is widely

expected to take place early in 1990. Almost all black leaders

Ryzhkov: rejected calls

#### Moscow to delay plans for reform

By Quentin Peel in Moscow

THE SOVIET Government yesterday bowed to the popular and bnreaucratic backlash against economic reform, announcing fresh delays in price reforms, police measures to curb the black market and drastic cuts in imports to restore balance of payments equilibrium.

in a speech billed as the Soviet anthorities' vision of perestroiks, Mr Nikolai Ryzhkov, the Prime Minister, opted for a version in which reform of the economy is supposed to come through the old central planning process, with a huge switch of resources into con-sumer goods manufacture and food production, and away from heavy industry.

He rejected calls to introduce private property, widespread denationalisation of state property or swift monetary reform to stop the accelerating decline of the Soviet economy. Continued on Page 16

## Too-early UK entry 'could hurt EMS' By Simon Holberton, Economics Staff, in London

BRITAIN had much to gain [Buropean] Community.

economy but the EMS. Mr ter at obtaining ar said in Florence yesterday. He said there would be con-

are more in line with those

from entry into the exchange In a speech outlining his rate mechanism of the European Monetary System, but and monetary union, the Govpremature participation could ernor said an independent damage not only the British Bank of England would be bet-Robin Leigh-Pemberton, Gover- a low rate of inflation neces nor of the Bank of England, sary for the pound's stability said in Florence yesterday.

He said there would be con-siderable economic risks for son, then Chancellor of the the UK and others if sterling Exchequer, put forward a plan joined the ERM before "a better balance is restored to our economy, which means before greater Bank independence. UK inflation and interest rates Mrs Thatcher told the Commons recently that she rejected prevailing elsewhere in the Continued on Page 16

# Paribas fails to win control of Compagnie Navigation Mixte

By George Graham in Parls

PARIBAS, the French investment bank, has failed to win control of Compagnie Nav-igation Mixte, the food to financial services conglomerate for which it launched a FF128bn (\$5.2bn) takeover bid in Octobe

According to preliminary estimates, confirmed yesterday by Parlhas, the results of the public offer will give Parlhas around 40 per cent of Naviga-tion Mixte's shares, including the 28-27 per cent it has already bought in the market. The final count, complicated by the existence of a paper alternative to Paribas'a cash offer of FF:1,867 a share, is not expected to be completed before December 22, and the results announcement is sched-

uled for January 17.

By then, Paribas will have decided whether or not to accept the shares tendered to its offer, which was conditional. on winning 50 per cent of Navi-gation Mixte. Paribas officials said yesterday that no decision had yet been taken on what

Chileans begin era of

policy to adopt. It could refuse the shares tendered, sticking at its current 27 per cent stake, or take them, with the hope of building up to a majority of Navigation Mixte's capital,

with or without partnership.

The bank is prohibited from buying more shares above its bid price until the results have been officially declared. French bankers suggested yesterday, however, the most likely solu-tion would be for everyone to negotiate a settlement.
The Paribas bid, originally

launched at FFr1.850 a share, was the second largest offer ever made on the Paris stock exchange, after Suez's offer this summer for Victoire, the insurance group, valuing it at FFr38.7bn. It was also the first contested bid to be carried out under new takeover rules introduced by the stock exchange in the wake of legislation on the transparency of financial markets. The course of the bid was marked by the complaints of Paribas, which felt that a

group of shareholders friendly to Mr Marc Fournier, Naviga-tion Mixte's chairman, had undertaken a concert party defence covered by the new

The stock market anthorities - both the stock exchange council and the Commission des Operations de Bourse, the regulatory watchdog - took a different view of the texts, however, although they did require statements from Mr Fournier's defenders that they

were not acting in concert.
While regulatory officials acknowledge that some minor problems with the new rules were thrown up, they do not feel that there would be any point in rushing to change them again on the experience of a single contested bid. Paribas executives had

firmly predicted that Naviga-tion Mixte's share price would collapse as soon as their hid closed. In fact, however, the trading above FFr1,900 yesterThis armouncement appears as a matter of record only.

Finishservice Limited

awholly owned subsidiary of

**Allied Commercial Holdings Limited** 

has sold



**Bush House** 

a 350,000 square foot office building in Aldwych, WC2

Kato Kagaku Co., Ltd.

The undersioned represented Finishservice Limited in this transaction.

Goldman Sachs International Limited

Morgan Grenfell Laurie

December, 1989

democracy after elections

Today's elections mark a new beginning with Gen Augusto Pin-ochet due to turn in in March. He could remain as commander-in-chief of the army, but he now seems to yearn for historical uatification.

rts-Reviews . Warld Guide Commercial Law Grossword ... Currencies .. Editorial Cor

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Arts: The Flying Dutchman at The Met. New mic Viewpoint: Bogey of the basic bal-Editorial comments Post-Reithian broadcasting in Britain; Rallying the institutions . CAP: Efforts to move a stubborn beast ........ 15 Financial Futures \_\_\_\_\_ 34 Raw Materials \_\_

Brandt Interviews Ostpolitik pays a belated dividend

Technology: Computer with a good lina in

International Laws Costs of the US ban on tha

Money Markets ... Observer .....

International bonds 29-21 Intl. Capital Markets 20-21 Letters 15 Lex 16 -Wall Street ... Unit Trusts ...

Gysi crosses Berlin

to charm the West

By Lesile Colitt in Seriin

He visited West Berlin.

Germany on the way to becoming a constitutional state?" was

only the starter, although Mr Gyst was uniquely qualified. Until last week he was the law-

yer for the New Forum opposi-tion group which sims to top-ple his Communist Party from power at the first free elections

Peering through small round glasses he won over the audi-

gasses he won over the attal-ence with his opening remarks. "I promised to speak here before I had any idea what I would become. I even forgot

my passport. I really don't want to talk about this, maybe we can just chat."

tees of newly won freedoms. He disclosed that a referendum

will be held next autumn on a

new, liberal constitution. It

will in effect be a vote on the "future of the GDR".

next May 6.



# Former Bulgarian leader Zhivkov is ousted from the Party

MR Todor Zhivkov, Bulgaria's former hardline Communist ader was yesterday expelled from the party on the same day that the Central Committee also decided that it would move fast to abolish its entomatic right to a leading role in

the country.
The Central Committee said it would ask the National Assembly, which meets on Thursday, to repeal two para-graphs of Article One of the Constitution which enshrine the Communists' leading role

However, despite the speed with which the Party is under-

HE TIDE of disintegration of the

post-war order in Eastern Europe faces the West with

many delicate and difficult dilemmas,

not the least of which is what to do about the Western alliance. If the War-

saw Pact has virtually ceased to pose an operational threat, how long will it be before Nato goes the same way?

Mr James Baker, the US Secretary of State, sees the point entirely. In his

Berlin speech, he argued that the West

era", and that the solution to the Neto

strengthening of East-West co-operation

through the Helsinki process.

This is sensible talk, but does it go

far enough? Is there not a serious dan-

ger in evading, or seeming to evade, the alliance's specifically military quanda-

ries? There is no contradiction in terms,

in stressing the political functions of Nato, since any alliance is essentially

held together by the cements of politics. Moreover, Mr Baker's idea of giving it new political tasks is only an extension

of received wisdom. Ever since the Har-

mel report of 1967, in keeping with its defensive purpose, Nato has publicly

proclaimed its twin-track mission, of

detente as well as defence; and these days, both sides agree on the primacy of

One could question some of the new tasks suggested by Mr Baker. It is not evident, for example, that Nato is especially well qualified for promoting economic links between East and West; or

for building democratic institutions in

the East; or for fashioning a more open environment for trade and investment.

mma lay in giving it new political tasks, such as arms control and the

a new architecture for a new

taking reform, an internal letter, written by the central committee secretariat, and distrib-uted to all party organisations, paints a picture of deep concern about the growing opposi-tion movement, as well as seri-ous fears that the situation in the country could become unst-

At the same time, as divisions within the party sharp-ened during this week'e central committee plenum, it appears that Mr Petar Mladenov, the new party leader, threatened to resign in the face of mounting demands and criticism from some of the more radical party

The four-page document, released to party organisations last Tuesday, describes the

"situation in our country as radically different than in other Socialist countries. where, in East Germany, we witness the destabilisation of society . . [But] some groups (in Bulgaria) display anti-Socialist and anti-party tendencies . . . which could destabil-

ise the situation." In particular, the letter criticises Podkrepa, the independent union movement, which in recent weeks has attracted a membership of 35,000, and has

Period of adjustment for Western alliance

An enhanced political role provides only a partial answer to Nato's quandary

plan is thet he does not address at all

the central dilemma of Nato's original raison d'etre, which is as a defensive

military alliance. It is all very well

stressing the political, but if the mili-tary aspects are out of kilter with real-ity, the alliance will be in real trouble.

ity, the alliance will be in real troube. This is the worm in the apple which

Everyone can see that the military

threat from the East is very much less than it was. The risk is that large num-bers of people will start to argue that

Europe no longer faces any threat from

IAN DAVIDSON

ON EUROPE

the East and therefore no longer needs any joint defensive arrangements. That risk will be much greater if Nato ren-

ders itself ridiculous, by persisting with an anachronistic strategy for counter-

Somehow, Nato must adjust to new strategic facts. The first of these is that

the Warsaw Pact has lost all military credibility as an offensive alliance. Until further notice, the Soviet Union

must obviously continue to be classed as a potential threat to Western Europe,

if only because it is a nuclear super-

power, but it can no longer rely on the military loyalty of its allies. The bad news, however, is that

Nato's military doctrines are in tatters.

Hitherto, the alliance has relied heavily on the deterrence provided by tactical

the European theatre, in large part to compensate for weaknesses in conven-

tional forces. That reliance will now

sub-strategic nuclear weapons in

ing an out-dated threat.

risks turning the whole fruit rotten.

applied to be registered as a gal trade union. It says that Podkrepa and

some other groups "are trying to direct or channel the events towards breaking the normal course of renewal by formulating unrealistic demands of the **Bulgarian Communist Party** and state leadership" At the same time, however,

the letter concedes that there are some groups, such as the environmental movement, which "organise a constructive discussion".

And it recommends that "we make a distinction between these constructive, though

need some fundamental revision.

It is not just that the Vienna negotia-

tions have a fair chance of eliminating

the Eastern advantage in conventional

forces, and thus most of the rationale

for theatre nuclear weapons. More important, the political transformations

now taking place in Eastern Europe completely undermine the political acceptability of a doctrine which assumes the use of nuclear weapons against East Germany, Czechoslovakia

The paradox is that the only land-

based missiles which might now have residual political credibility in the

West, are those which we have just negotiated away – the cruises and Pershings which could fly over Eastern

By contrast, it is absolutely clear that the West Germans will now never agree

to the deployment of a modern succes-

sor to the Lance short-range missile. As

a result, it is probable that the territory

of West Germany will be progressively de-nuclearised, and that in the medium term political taboos will confine

nnclear weapon states. This would not necessarily be bed, since it would

ensure that they were held more

securely et a distance from any puta-tive battlefield; but it would be very

One of the consequences of the new detente is that America's military pres-

ence in Europe will be significantly

reduced. Unless there is a rush for the exit, with Belgium and Denmark jos-tling to disband their forces before the

US does, logic would require the Europeans to play a larger role in the leader-

ship of the alliance, and in the determi-

ar weapons to the territory of

Europe and reach the Soviet Union.

highly critical, forces and those who are against social-

So far, the new party leadership, which has been in power for only a month and is anxious to gain broad, popular support, has given the rapidly growing opposition the free-dom to demonstrate, to cam-paign for new members, and to gain access to the official mass

And in what could be a sign of the growing authority of Mr Mizdenov, and particularly of Mr Andrei Lukanov, the party's number two, who is in charge of economic and cadre

nation of alliance strategy.

Above all, the new configuration in

Eastern Europe ought to make a rather large difference to the relative roles of

France, Britain and West Germany in

the defence of Western Europe. With a lower threat and a negotiated balance

in conventional forces, the modest British and French nuclear forces would start to look much more plausible as

the foundations of a European deterrent

At the same time, however, a reduced

US presence in Europe would make it a lot harder for the French to sustain their rhetoric of Gaullist independence.

On the other hand, the internal contra-dictions in the defence relationship

between France and West Germany

would be intensified by widening differ-

ences over nuclear strategy, and even more by the debate over reunification.

To meet these new challenges, Fran-cois Fillon and Philippe Seguin, two young reformers in the French Gaullist

party, propose radical revisions of their

country's defence posture. They write off the Franco-German relationship in

military terms; they call instead for

close defence co-operation with the UK.

including the joint development of a

disqualified by its short 500km range.

These may not be the optimum

what those new requirements will be.

Europe will have new security needs, which will not be satisfied by pretend-

ing that Nato should do the work of the OECD, Gatt or the International Cham-

ber of Commerce.

policy, the leadership has categorically ruled against "the use

"Only political means (should be used) to create the conditions for effective stability ... it is absolutely neces sary to start a dialogue with all those who have constructive ideas and goals," the letter

However, it is widely believed that conservative party leaders in the provinces, which have not yet been affected by purges, are deeply hostile to the opposition and any diminution of party control over society.

#### Wörner sees political role for Nato

By Robert Mauthner, Diplomatic Correspondent

MR Manfred Wörner, the Nato Secretary-General, yesterday fully supported US proposals that the Alliance should adopt more of a political role, and said that this would be dis-cussed at the Nato foreign ministers' meeting starting in Brussels today.

"We cannot and will not ignore the fact that the historic changes we see all around us will have an impact on Nato itself. "The alliance must he increasingly an instrument that can shape

political change."
Mr Wörner said that the Ministers would also discuss the sensitive issue of the reunification of Germany. which would be mentioned in the final communiqué. The Alliance's objective remained the overcoming of the division of Germany, but Nato did not want to establish any kind of timetable for such a develop-ment, which could be overtaken by events.

long-range cruise missile, and they urge the cancellation of the Hades missile, Both President George Bush and Mr James Baker, the US Secretary of State, have stressed that German reunifiresponses to Europe's new security requirements; we cannot yet be sure cation should be a gradual process based on Germany's The important point, however, is that commitment to the Altantic Alliance and in the context of European integration.

Some Nato countries have

expressed fears that the rapid pace of change in East Ger-many and the looming prospect of reunification could des tablise Central Europe. The fact that the border between Nato and the Warsaw Pact is two German states makes reunification a particularly

Mr Worner said that the Ministers would also attempt to put pressure on Greece and Turkey to resolve their disagreement over whether to include the port of Mersin in southern Turkey, the point of embarkation for Turkish troops leaving for Cyprus, in the proposed conventional forces in Europe (CFE) agree-ment, which is being negoti-ated in Vienna.

The quarrel has prevented

Nato from tailing a draft treaty which proposes the reduction of US and Soviet forces in Europe to 275,000 each and the scrapping of a large amount of offensive

arms, such as battle tanks.
President Bush and President Mikhall Gorbachev have expressed the hope that a CFE agreement can be sealed in the autumn of next year.

"We believe this GDR is the legist siternative to the Fed-eral Republic," he said to MR GREGOR GYSI, the unassuming 41-year-old law-yer-turned-East German Comapplause. Many Germans in munist party leader, has achieved what his deposed pre-decessor, Mr Erich Honecker, was never able or willing to do. East and West, though, would have disagreed. "My party is dejected, decimated and discredited," he admitted. A moment later he added: In the process he thoroughly charmed its residents. He drove through the Berlin Walt on Tuesday evening like tens of thousands of his fallow citi-

We made many mistakes in the past. This is why it is important to seek the third way" (between capitalism and orthodox Communism). Asked zens, but not to ogie lavishly decorated Western shop win-dows. He fulfilled a speaking engagement at the West Ger-man Public Services: and whether the new constitution would still contain the clause binding the GDR to sternal friendship with the Soviet Union, he remarked: "I would not limit friendship among nations to one country. I feel Transport Union made well-before his surprise elevation last weekend to the top post.

Mr Gysi embodied the radical changes taking place in his party and country. Many in the close to the Soviet Union but I don't know what is going to happen to it."

Queried whether his demoraudience were younger law-yers who took special delight in his quick repartee.

The theme of the talk "East Queried whether his demoralised party would go into opposition if it lost the elections, he said: "Wa will accept every result. And what do you mean by losing — under 50 per cent?" His interrogator moded. "That's not losing." Mr Gyst responded. The audience, recalling forecasts that the party would poll no more than 10 per cent if elections were held now, roared with laughter.

On the subject of a future confederation between the two German states which his party has endorsed, he said he did not know the definition of a confederation and that besides, it was necessary to get to know each other first. "Let us also talk about Europe or we will But he did speak about the scare our neighbours. We have need for constitutional guaran- other neighbours and you too." A West Berliner called out "we. have only one neighbour (East Germany). "And it will soon be one of the best of neighbours" Dr Gysl shot back to a roar of laughter.

# E Germany might join IMF and World Bank

By David Marsh and Leslie Coltit in East Berlin

and the World Bank to back its economic reform programme, Mr Klaus-Christian Fischer,

policy approach after the change in the regime this autumn

between the East German government and Mr Helmut Haussmann, the West German economics minister, would focus the process of setting a framework for co-operation between the two states, above all in the industrial and communication sectors. Mr Hans Modrow, the East German Prime Minister, and Ms Christa Luft, the deputy Prime Minister in charge of the economy, would participate from the East German side.

He said the participation of Western companies in joint ventures in East Germany would be limited in an initial phase to 49 per cent, in view of East German sensibilities about a "sell out" to the strong West German economy. But he interest in joint car projects 7

EAST GERMANY is examining left open whether this could be possible membership of the international Monetary Fund many had gathered "experience" in joint ventures. Mr Fischer said he expected the legal basis for joint ven-

omy, said yesterday.

Although he said there were no concrete plans, Mr Fischer said East Germany now had "no taboos" in its economic Along with yesterday's signs of treediness to converse. first quarter of 1990.

Along with yesterday's signs of readiness to co-operate:

industrially with West Germany, East Berlin issued a sig-He said talks here today nal that it is ready to reforge political and economic links between the two halves of the

divided city. Mr Erbard Krack, the mayor of East Berlin, yesterday pro-posed official contacts between the city parliaments of East and West Berlin,

"We have a historic chance the course a historic chance to develop good relations with the other part of the city." Mr Krack said. This move corresponds to a long-held vision by West Berlin, which now is nearing reality after the hreaching of the Wall last month.

month. Mr Fischer tried to dispel the impression only West German companies were interested in joint ventures. He said Japa-nese companies had expressed

#### for Germany's elder-statesman Thatcher, the British Prime Minister, that, if the UK is afraid of a weaker German commitment to e united Although he said the plight of the debilitated Socialist Germany, Mr Willy Brandt, the 75-year-old former West Gerunity Party (SED) "does not give me headaches", he admitman Chancellor, has been Europe, now is the time to ted "unease" about the "settling of ecores" behind the purge and arrest of former basking in the glow of a golden political twilight. The Social Democrat architect of West strengthen support for Euro-pean monetary integration. Mr Brandt, who has good contacts with the Kremlin, party bosses. He points out the element of hypocrisy: "This is a hunt for scapegoats, carried out by people who were sitting there all the time." Noting that the grounds for arrest of figures from the regime of Mr Erich Honecker has been limited to economic crimes Mr Brandt said sardon. Germany's Ostpolitik in the early 1970s has emerged as e pillar of national consensus stated that the Soviet Union was responsible for ensuring a pillar of national consensus along the emotion-charged road to German unity. Mr Brandt, softened by age and enriched by this autumn's publication of his best-selling memoirs, has attained elder statesman status in both East and West Germany. He is still the honorary chairman of the Social Democratic Party. peaceful outcome at the most critical stage of pro-reform demonstrations in East Ger-

many two months ago. Former Chancellor Willy Brandt talks to David Marsh

Ostpolitik pays belated dividend

Referring to the now-celebrated protest march in Leipzig on October 9, when armed East German security forces drew back at the last moment from intervening with civil war-like action, Mr Brandt

civil war-like action, Mr Brandt said the date would go down as "a special day of German-Soviet friendship, because on this day Soviet officers prevented a hloodbath in Leipzig."

He pointed out that, in the top echelons of the East German National People's Army (NVA) sit "several dozen Soviet officers... No important NVA operation can pass them by, And if a clever Soviet general said, 'You can do what you want, but our troops and our tanks stay in their barour tanks stay in their bar-racks, then this has an effect." Mr Brandt takes a statesman's view of the widespread allegations in East Germany of misuse of power and corrup-tion under the former Commu-

nas been hinted to economic crimes, Mr Brandt said sardon-ically: "I have not yet heard of someone heing called to account for bringing others into prison, or for preventing them from uttering their opinone or exercising their rights.
Over Chancellor Helmnt
Kohl's 10-point plan for German unity, Mr Brandt enters into the spirit of bipartisan-ship. Without going so far as to say he is a friend of the Chancellor (whom he sees from time to time for informal talks), he calls their relationship "relaxed". He says: "I can really have nothing against the 10 points . . . They are mainly self-evident."

He does chide Mr Kohl, however, for not having consulted the Foreign Ministry about the programme. It was also a "great failure" not to have referred to a guarantee for Poland's post-war border with

Germany.
The Chancellor, he thinks, also left himself exposed by giving the impression that he would be less decisively committed in future to developing European Community and forging monetary union.



Willy Brandt: appealing to both sides in the debate over unity

"These I call the two open flanks — fully unnecessary, in my opinion."

Mr Brandt says he believes in the goal of a confederation between the two German states. I do not exclude that this will develop into someting more . . Historical experience shows that confederations develop into federations, or else they disappear."

He says it would be "not sen-sible, and also unrealistic to expect the Germans to have to wait for greater national unity until some time after the year

2000 — and probably a good time after that — until a struc-ture (of unity) is developed for all parts of Europe." Responding to a question about European countries' fears of a united Germany's

economic dominance, Mr Brandt offers a particularly sharp lesson to Mrs Thatcher. The consequence must be, he says, "to take really decisive steps to advance economic integration. Whoever is afraid of the D-Mark must make the Enropean currency unit

# Pope names deputy in reshuffle

By John Wyles in Rome

POPE JOHN PAUL yesterday named Monsignor Giovanni Batista Re as his new Deputy Secretary of State in a reshuffle which has seen the Australian Bishop Edward Cassidy put in charge of key negotiations with the Russian Orthodox Church over the restoration of full religious rights to Ukrainian Catholics.

Magr Cassidy's elevation to the presidency of the Vatican's Council for the Promotion of Christian Unity has taken many observers by surprise.

Although it was thought

likely that 80-year Cardinal Johannes Willebrands would soon step down from this post, the Australian bishop had only been Deputy Secretary of State (the equivalent to the Vatican's Deputy Prime Minister) since May 1988 and was not regarded as a serious candidate for a move.

However, Vatican officials have stressed with manual

have stressed with unusual candour that the Pope wanted "a close collaborator" in the Christian unity post "given future developments across the

This refers to the longawaited negotiation with the Russian church on the future of the Uniate Catholics of the Ukraine which was brought closer by the recent meeting between the Pope and Presi-dent Mikhail Gorbachev.

The legal framework for nidoling what the Vatican views as one of the grossest injustices perpetrated on any church in communion with Rome should be provided by the law guaranteeing freedom of conscience in the Soviet Union.

# Eurocrats' thoughts turn to the battle for top jobs in Brussels

**European Diary** 

By Tim Dickson in Brussels

Social Democratic Party. Because of his policy of build-ing bridges with East Ger-many, he was the object of bit-ter attacks during the 1970s

from German conservatives.

These days, however, whether speaking in church in the East German Baltic town

of Rostock, or appearing at the newly-breached Berlin Wall with Senator Edward Kennedy,

Mr Brandt straddles German

By persuasively putting the case of a "growing together" of the German nation, but reject-

ing the word "reunification" as

representing a throwback to the past, Mr Brandt appeals to

both sides in the increasingly

polarised unity debate.

In a joint interview this week with the FT, the Suddentsche Zeitung and Le Monde, Mr Brandt warned the

victor powers of the Second World War against thinking

that German unity could be put off for ever. He also gave a clear signal to Mrs Margaret

IF YOU think Brussels is buzzing with nothing but talk of the internal market and Eastern Europe, think again. For the next few days, corridor gossip in the Berlaymont headquarters of the European Commission will more than likely be dominated by changes in the line up of top Community civil servants — the so-called Directors-General (or DGs) who sit atop the 23 departments in the EC bureau-

Rumours of a "Big Bang" or a "Night of the Long Knives" have been rife here for several months - but with e number of key individuals due to retire or depart early next year the feeling is that the painful, sometimes bitter and always intensely nationalistic task of changing the guard cannot be

long delayed.

The vacancies are in the

internal market (DG3) and competition (DG4) directorates, where respectively Mr Fernand Braun and Mr Manuel Casparl are coming to the end of their careers. Another important opening is in Fisheries (DGI4) following the decision to send Mr Eammonn Gallagher to head the Commission's repre-

By Tim Dickson in Brussels

Netions, while the premature departure of Mr Emilio Vilar from Indirect Taxation (DG21) provides a fourth empty piece

in the jigsaw.

New faces in all these slots are now certain but in the inevitable reshuffle there is no guarantee that other jobs will not be switched as well. Behind the scenes jockeying is a constant feature of the Brussels firmament but by all accounts next Wednesday's weekly Commission meeting – the last before Christmas – will see most of the big per-sonal and political battles coming to a head.
The influence which

national capitals wield over decisions of the Brussels executive has long been a source of controversy and disagreement but in this case it is no secret that the 17 commissioners will act quite openly as the proxies of governments, notwithstanding their own personal likes

Decisions will be complicated by largely unwritten groundrules on the nationality of top Community civil ser-

There are no quotas at Direc-

Belgium among Als - the prized top grade in the Community hier-archy which takes in other important posts like EC ambassadors and the Secretary Gentor General level as such but a eral. Big member states like balance has to be struck France, Britain, Italy, and Ger-

many will all be looking to secure advantage for themseives, or deny advantage to others, while the smaller coun-tries fight just as hard not to be overlooked. An important tradition is

that DGs should not be in charge of a department where the responsible commissioner is a fellow countryman though there are exceptions to this rule such as Mr Geoffrey Fitchew, Director General of DG15, who reports on financial institutions to Sir Leon Brittan while another constraint is

DG6 (agriculture) and DG4 (competition) have effectively become private fieldoms of one or other of the member states (in these cases France and Ger-many respectively). The most delicately poised

that some departments such as

battle is over DG3 (Internal market), where the two front-

runners are understood to be the current Italian deputy director Mr Riccardo Perissich and Mr John Mogg, under-sec-retary at the British Depart-ment of Trade and Industry who is on secondment to the European Secretariat in the Cabinet Office.
The UK has made no secret

of its ambition to capture this highly influential post and Mr Mogg, who was the then Leon Brittan's principal private sec-retary at the time of the Westland affair, is one of three British candidates. Mr Perissich, however, is equally formidable and respected in Brussels for his contribution to the single market process.

If there is any justice in Brussels the DG4 slot will go to Mr Claus-Dieter Ehlermann, the Commission spokesman who was denied the prestigious post of ambassador to Washington two years ago. As seen from Brussels the appointment of another German to this post would be one way of reassur-ing a Bonn Government which appears increasingly edgy-about the EC merger control directive (which if the French have their way will finally be agreed by the Council of Ministers at the end of next week).

The name most frequently mentioned as a replacement to handle the press is Mr Alex Schaub, who earned a high reputation in the last Commis-sion as chef de cubinet to Mr Willy de Clercq, the former Belgian External Relations Commissioner
For the rest the speculations

are vaguer – but if the concen-tration of commissioners seems to lapse from time to time over Japanese cars or thrashing the Americans in Gatt you new horse when Gatt you now know why.

FINANCIAL TIMES

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# Yeutter urges greater investment in Poland

By Peter Riddell, US Editor, in Washington

AMERICAN investors are "a step behind" European ones in becoming involved in Poland Mr Clayton Yeutter, the US Agriculture Secretary, con-ceded yesterday.

He was reporting to Congress on a mission of Cabinet members and business and union leaders which he led to Warsaw two weeks ago. Mr Yeutter did not believe there was any "irreparable damage" from the US view-point so far, since German and French investors were so far

French investors were so far french investors were so far mainly just talking.

Senator Joseph Biden, who chairs the Senate's European sub-committee, reflected a more general concern in Washington in saying that Euro-pean, and especially German,

Shortage of

in Brazil

companies had taken the lead But Mr Yentter argued that US companies "ought to be get-ting into the ball game now, not waiting. They need to have a presence there, watching

Anticipating a detailed report on the mission which he will present next week to Presi-dent George Bush, Mr Yeutter said there were would be no significant flows of capital into Poland until after institutional and structural changes, which would take time.

He stressed the absence, for example, of marketing and distribution networks. An exception offering a quick return was hotel projects of the kind being built by Marriott in War-

Consequently, Mr Yeutter said a conclusion of the mission was that technical assistance and advice in institution building was needed more in the long-term than financial

However, he stressed the need for an improvement in performance in the short-term from the existing structure. Poland, he said, "needs a few success stories."

He added that the mission was very favourably impressed by the economic model being

# **US November retail** sugar alcohol

By Ivo Dawnay in Rio de Janeiro MOST filling stations in Rio de Janeiro have now run out of supplies of sugar-based alcohol fuels, which may leave hun-dreds of thousands of motor-Department of Commerce.

The fuel supply crisis, long predicted by economists, is expected to continue until April, when a new sugar-cone harvest will help meet

Some 4.5m of Braxus 12.0m cars are powered solely by alcohol, which was first introduced as an additive to petrol in the late 1970s and was later used to reduce dependence on Some 4.5m of Brazil's 12.5m oil imports and save precious foreign exchange.

Output of alcohol is now 1.5bn litres below estimated demand with scarcity expected to rise sharply in the coming two months because of a fall-off in sugar production.

Emergency measures are now under way to secure sup-ply but efforts to import metiand as a substitute fuel have been held up by court actions put forward by environmental-ists alleging that the fuel is

5 4

# sales up 0.8 per cent

By Anthony Harris in Washington

US RETAIL SALES rose by 0.8 per cent to \$144.6bn (£90bn) in November, according to pre-November, according to pre-liminary figures from the

Car sales rose only 0.5 per cent from their October slump, but clothing sales rose 2.4 per cent. The increase was well ahead of a 0.2 per cent consen-sus forecast in the financing markets, but half the difference was due to a downward revision in the October figure, and the market showed no reaction to the news.

Total retail sales have now

recovered almost exactly to their value in July. The White House greeted the new figure as evidence of continued economic growth. It is already known that the administration's 1990 hudget proposal, due out in January, will be based on an assumption of a 2.6 per cent real growth rate. The car market appears to be weakening further. Find announced yesterday that its early December car sales totalled 31,184, down 30 per cent at a daily rate from the same period in 1968.

The company predicted that US car and truck sales will fall to 14.9m in 1989 from 15.8m in 1988, and will ease further to to \$20,90bn.

discussed by the new Polish government, which, he claimed, was nearer to the American than the European

ments on the current account in the third quarter, compared with a revised deficit of \$32.08hn in the second the Department of Commerce said. The current account measures the balance of trade in

goods and services, including banking, financial transactions and tourism. Most of the improvement was explained by a \$7.6bn increase in the dollar value of earnings from foreign subsid-taries of US companies since the exchange rate weakened in

the third quarter.

The capital account showed a net inflow of \$72.48bn in the third quarter, compared with a \$1.79bn outflow in the second. Official foreign assets rose by \$11.25bn, reflecting interven-tion to support the dollar, com-pared with a fall of \$5.2bn in the second quarter.

Holdings by private investors increased by \$61.24bn in the third quarter compared with a rise of \$3.41bn the previous quarter. The third quarter gap was the best trade performance since the first quarter of 1984, when the gap amounted

#### **OECD** worried at Washington aid levels

By George Graham in Paris

THE volume of US development aid has come under criticism from the Organisation for Economic Co-operation and Development (OBCD), the Paris-based group-ing of leading industrialised The OECD's Development

Assistance Committee has expressed "deep concern" at the nutlook for the US aid budget, which is the largest in the OECD area in absolute terms but one of the smallest as a proportion of national income. The shrinkage of resources available for aid had "serious implications for equitable burden sharing among donors and for the ability of the US to participate effectively in com-mon efforts in areas of critical development concerns," the

The US's total dishursement of nfficial development aid amounted to \$10.1bm (£6.3bm) in 1988, but this represented nnly 0.21 per cent of gross national product. Only Ireland devotes a lower proportion to aid; the OECD average is 0.36 per cent, and international

committee said.

per cent, and international organisations have set a target of 0.7 per cent of GDP.

On the other hand, grants from US private charities reached \$20n, around half of the total for the OECD area and equivalent to 0.05 per cent of GDP.

#### IMF to begin talks with Peru

International Monetary Fund is expected to visit Peru next month to start talks on the development of an economic pringramme, following a \$42.3m interest payment by the country to the Fund, Step-hen Fidler, Euromarkets Correspondent, writes.

The payment, regarded as a token of the government's desire to achieve a rapprochement with the fund, covers interest from September to the year end. Arrears to multilateral organisations total about \$1.6bm, of which about \$800m is owed to the IMF.

# Chileans begin era of democracy

Leftist looks set to win the presidential sash, reports Barbara Durr

ODAY is the beginning of a new democratic era in Chile. In the first free national elections since Gen Augusto Pinochet took power in a coup in September 1973, 7.5m citizens will go the polls. They will elect a president for a four-year term (thereafter presidents will be elected for eight years) and a new bicameral Congress, with deputies serving four years and senators serving eight.

The atmosphere of calm that pervades The atthisphere of cann that pervasion.

Chile at this historic moment is in dramatic contrast with the palpable tension during last year's national plebiscite on eight more years of rule by Gen Augusto

Then, the government and the opposi-tion each had apocalyptic visions of what the other would wreak if the general was

Hs was. But neither the apposition's vision — military intrigues to undo the march toward democracy — nor that of the government — left-wing riots and political upheavals that would bring economic characteristics. nomic chaos - has come to pass. Instead, Chile has steered a rock-solid course toward democracy and, in the political calm, has set a new series of economic

high marks in 1989. Gen Pinochet is due to turn over the presidential sash on March 11, and there seems little doubt that its lucky recipient will be Mr Patricio Aylwin, the candidate of the 17-party centre-left opposition coali-

So sure is Mr Aylwin of his victory that he has designated the time and place of a public celebration and arranged an elaborate international satellite broadcast of a press conference tomorrow.

carried nut on December 5-7 by the Center for Studies of Contemporary Reality (CERC), gave Mr Aylwin a resounding 57 per cent of the electorate. Mr Hernan Büchi, the standard-bearer for the main right-wing parties, scored just 25 per cent and Mr Francisco Javier Errazuriz, a

right-wing populist and something of a wild card, rose to 16 per cent.

Mr Errazuriz, a man who has played mostly to emotions, has tried to offer himself as an alternative to the traditional political options. His most repeated slogan self as an alternative to the traditional political options. His most repeated slogan was "No more blah blah blah, vote for Fra Fra" – Mr Errazuriz's nickname. Mr Büchi, hobbled by his identification with the military regime and a lack of political skills, appears to have lost votes signifi-cantly during his campaign to Mr Erra-

Mr Büchi's main tactic against the front-runner has been to try to sow doubts that Mr Aylwin is in control of the leftist parties in his broad coalition. A CERC survey however revealed that a clear majority of people believe the coalition is ruled mostly by consensus or by the cen-trist Christian Democratic Party.

Mr Büchi and Mr Errazuriz are still hoping, at least publicly, that there will be a second round in the presidential contest. This would occur if no candidate wins a majority today. But that result is regarded

In the closing rallies of the three candidates on December 9-11, the opposition's massive popular appeal was evident. Mr Aylwin drew a crowd estimated to reach nearly 1m people, far surpassing those who gave their final cheers to Mr Büchi

r Aylwin, a 71-year-old, politi-cally moderate Christian Demo-crat, has in fact so steadily led in the race to occupy Chile's top job that for months he has had a presidential air. He almost never referred directly to his opponents, speaking instead of the problems ahead and how be will solve them.

Mr Aylwin acknowledges that in the 14 months since the plebiscite on Gen Pinochet's – and the country's – future, the government has given way, allowing the opposition to conduct political activity freely. "We have been advancing [toward

forced to accept. These include amend-ments to the 1980 constitution, which the general had sworn was untouchable, and the naming - just nine days before the election - of a board for the newly autonomous central bank that included two representatives of the opposition.

Gen Pinochet, once the gruff, stern-faced

authoritarian, is now a much weakened fleure. Under the current constitution he can remain for another eight years as commander-in-chief of the army, Chile's most powerful armed service, or opt to be senator for life. But more than this, he now seems to yearn for historical justification. Frequently dressed in business suits rather than uniform, these days, he wants to be known as the man who brought Chile back to democracy. He said last week: "The whole country has been sole to inform itself about the [political] alterna-tives, which constitutes one more proof of the unlimited democratic will of the gov-

If elected, Mr Aylwin says, he will attempt to persuade Gen Pinochet to step down as army commander. In any case, Mr Aylwin confidently notes, while he cannot remove the general because of the constitution, a new president will be chief of all

the armed forces and thus be Gen Pin-ochet's superior.

The opposition is hoping to win two thirds of the seats in both houses, so it can further change the 1980 constitution. Among the provisions on the chopping block is Gen Pinochet's army tenure until

Even with today's election, many still feel that Chile's transition back to democracy will not really be complete until Gen Pinochet is out of the political picture for

# Semiconductor chip development move

By Louise Kehoe in San Francisco

semicandactar industry research consortium, is refocusing its efforts to emphasise support of domestic US suppliers of production equipment and materials.

In its latest move, the con-

sortium has awarded a joint development contract to Silicon Valley Group, a leading US
semiconductor production
lequipment maker, to accelerate
the development of equipment for use in making the next generation of computer chips.

"This is a significant contract in the advancement of efforts undertaken by Sema-

semiconductor manufacturing technology," said Senator Pete Wilson. "By teaming with US semiconductor equipment and materials suppliers in develop-ment projects, Sematech is lev-eraging the dollars it spends to gain maximum return on investment for American tax-

payers.
Under the agreement, Sema-tech will provide funding, per-sonnel, laboratory equipment, training and other resources to the joint project.

The contract is the latest in

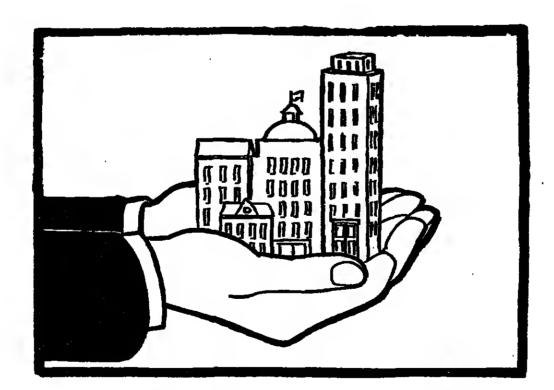
tech involving US semiconductor production equipment makers. The consortium expects to spend \$89m of its \$200m (£124m) 1989 budget on such efforts, said Dr Robert Nayce, Sematech president, and the figure will rise next year. Since 1987, 62 US semicon-

ductor production equipment suppliers have disappeared through mergers, acquisitions, foreign acquisitions and going out of business, it is critical that we reverse this trend if the US is not to become totally the US is not to become totally dependent upon foreign suppli-ers for critical technologies."

"One of the major changes that Sematech can effect is to create closer relationships between US semicanductor manufacturers and their suppliers," said Dr. Nnyce. "We must work hand in glave, rather than at arms length."

The Sematech announcement comes on the heels of the rejection by the Bush administration of proposals to increase federal funding for Sematech. The consortium receives its funding from the Defence Department Advanced Research Projects Agency and from its 14 member companies.

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# 'vindicate UK grant for Davy'

By Peter Montagnon, World Trade Editor

DAVY, the UK heavy engineering group, has won two further orders worth £70m from Sonth Korea's Pohang Iron and Steel Company (Posco), bringing business won from this client since 1983 to

£230m.

The company said the new orders were further vindication of the £8.64m aid and trade pro-vision (ATP) grant it was awarded in 1983 to back up lts first bid to provide a blast fur-nace for Posco's Kwangyang

steel mill development.
Though regarded as controversial by some Whitehall departments, the ATP funds belped Davy to dominate strong competition it was then facing from Japan. It also enabled it to establish a record in South Korea which now puts it in a strong position to win prospective blast furnace orders coming up in West Germany, Australia and Taiwan,

A study of the benefits to the UK of the business won by Davy from Sonth Korea, published by the company to coincide with the signing of the new order says the order says the order. naw order, says the original ATP grant has helped to generate an extra £276m in economic output and 4,210.6 man years of

The exchequer has gained £34.68m in extra tax revenues and saved £1.61m in unemployment benefit, says the study, which take account of the knock-on effect of the business on Uavy's suppliers but was compiled before the latest con-

computed before the latest con-tracts were signed.

None of these benefits would have accrued if Davy had not won the first contract, the

speaking at the conference on:

> What's the outlook for foreign trade?

WEDNESDAY, 4 APRIL 1990

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Business International has secured a block

deal with the necessary visa requirements.

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organise direct mail, advertising, exhibitions?

examination of concrete issues facing companies.

study says. "There is a clear link between the ATP funding for Kwangyang One and the winning of later contracts. ATP provided Davy with an

opening in Korea."
The two orders signed yesterday are a £40m blast furnace for Kwangyang with a daily capacity of 9,000 tonnes of basic steelmaking iron and a £30m wire rod mill modernisa-

tion in Pohang.

Mr T J Park, chairman of Posco, said they were the last Davy could expect to receive for the time being as the company's modernisation and expansion plans were com-

Demand for steel in Sonth Korea was still strong, but the country would import cheaper steels if necessary and Posco intended to concentrate on

high quality steel.

Mr Park added that Korea's policy of not adding to its foreign debt and the company's large liquid resources meant the company would be paying cash for the new orders. However, Davy officials said

that an underlying export credit had been arranged with the backing of the Export Credits Guarantee Department to cover the contracts. This had been structured in

such a way as to allow the benefit of subsidised export credit interest rates to be factored into the cash price paid by Posco.
Davy Corporation, which

had recently established its own export finance unit, had passed the deal through a spe-cially-created company in Hong Kong. they said, but this country or others," declined to give further details.

DOING BUSINESS WITH THE SOVIET UNION .

**OUTLOOK FOR A NEW DECADE** 

April 3-5, 1989, Hotel Mezhdunarodnaya, Moscow

Business International, in cooperation with the Soviet Chamber of

Commerce and Industry, is pleased to announce a special conference

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Business

(JV's) with Soviet organizations: Lessons learned

> What practical lessons have been learned from joint venture operations?

# S Korean orders | EC finalises its Uruguay Round stance

By Tim Dickson in Brussels

HOWEVER much the European Community scoffs at US proposals to scrap all farm subsidies over the next 10 years, no one in Brussels denies the public relations triumpb of that simple, eye-catching appeal.
This week's riposte by the

EC in its detailed position paper for the final stages of the international trade negotiations known as the Uruguay Round — described by Mr Henri Nallet, the French Farm Minister, as putting Europe back "on the offensive" — has been something lass than a public relations coup.

Tha contents of the long-

awaited package were presented to EC farm ministers in Brussels on Tuesday but despite expectations to the con-trary the details will not be publicly available until foreign ministers have had their say

Wldespread leaks have ensured that there are few secrets left in the locker but if,

By Nancy Dunne in Washington

IT WAS, said Mr Linn Williams, deputy US Trade Representative, a "daring enterprise" the Bush Adminis-

tration undertook when it

announced its intention to use the US steel market as lever-

age to get governments out of their domestic steel industries. Triumphant in his announce-ment that the largest produc-ers had signed bilateral pacts agreeing to phase out demostic

agreeing to phase ont domestic steel subsidies and to work for

multilateral liberalisation, Mr Williams hailed the end of "the

cycles of government interven-

tion followed by restrictions in

insisting, the EC now has its own positive message to relay it is going about things in a surprisingly secretive way.

The significance of the paper—which contains many familiar and is discontinuously familiarity and is discontinuously familiarity and in discontinuously familiarity and in discontinuously familiarity and is discontinuously familiarity and in the continuously familiarity famil

iar ideas and is disappointingly short on numbers, but which appears to move some way towards US and other criti-cisms of the EC's tough farm, import barriars — is that it is the EC's detailed negotiating position for the crucial final round of the Uruguay Round talks. Privately, EC officials will admit that it spells important changes to the EC Common Agricultural Policy after 1990, but they not so privately emphasise there are some prin-ciples which are not going to

topies which are not going to be given away.

The EC, for exampla, remains wedded to the "grad-ual" reduction of farm sup-ports as agreed in the Mid-Term Review of the negotia-tions — rejecting out of hand any idea of long-term elimina-tion in favour of a more "real-istic," though unspecified five-

Brazil, Mexico - the largest importers into the US market - as well as Australia and

Trinidad and Tobago all signed "bilateral consensus agree-

ments", receiving a slightly bigger quota share of the US market for their pains.

of the market reserved for Vol-untary Restraint Arrangement

(VRA) countries. 6 per cent remains to be distributed as bait if Austria, Finland and Yugoslavia join the effort to

liberalise world steel trade.

The US steel industry, which sought a renewal of VRAs for

five years but got 2% years instead, has been cantiously

welcoming the achievement.
"We are very pleased that
the Government was able to

achieve some additional disci-pline without in any way com-promising domestic US trade law." said Mr George Vary, a

spokesman for Armco Steel. But the doubts followed. Can

the momentum carry over into

Out of the total 19.1 per cent

US celebrates its steel pact 'triumph'



reductions; it sticks to its view that agriculture is a specific sector with its own problems (a point which is seen as having been reflected by President George Bush in a speech in

the Uruguay Round, where the administration hopes to "mul-tilaterise" the agreements in either the subsidies group or the tariff and non-tariff barri-

What about dumping, which is addressed "in a very back-

door way by trying to regulate non-tariff barriers"? Dumping was difficult to negotiate away,

he acknowledged; anyway it

was not a government-to-government issue. Until the details of the bilat-

eral "consensus agreements" are released, the extent of the

administration victory will not

be known.
Although export subsidies

Although export subsidies are to be immediately discontinued, some of the pacts permit a "phasing out" of domestic subsidies as well as retention of others, "If there is a subsidy programme that was already in place, we did not endeavour in this agreement to roll that back," Mr Williams said, "In

"the utopian playing field" where subsidies are removed is a long way off), and it insists on a "global" approach whereby all trade distorting subsidies from export refunds to deficiency payments and price guarantees would be reflected in one common measure of support (the so-called Snpport Measuremant Unit, which all parties would then agreed to reduce by a given

agreed to reduce by a given amount).

The US side, by contrast, has been looking for commitments on individual support measures, notably the EC's export subsidies and the variable import levies designed to protect EC farmars against become products from the

tect EC farmars against cheaper products from the world market.

The key novelty in the EC paper however, lies in the trade-off it establishes between "tariffication" and "re-balancing". Tariffication is the process demanded by the US and nations such as Australia, New Zealand and Canada, bound

each bilateral pact has a dis-pute settlement mechanism,

which provides for an arbitra-tion panel to make a decision in 30 to 60 days. These all differ

slightly.
In the Korean pact, ona party can take unilateral

action to be followed by a fast-track 30-day appeal process. In other agreements, arbitration

would come first.

prices for waste news.

As a result waste paper was being shipped to Europe, cut-

ting prices for waste paper there, and forcing more waste

paper to be landfilled, with "the net effect that North America's solid waste disposal problem is being exported".

which turns variable levies like the EC's import levies into fixed tariffs as a prelude to

their dismantling.

Brussels' paper proposes what is described as "partial" tariffication, though it is emphasised that such a system would also be applied to defiwould also be applied to desi-ciency payments of the kind used to bridge the gap between US market prices and the tar-get price paid to US farmers. Only one element of the tar-iff, however, would be fixed — the part reflecting the differ-

ance between domestic and market prices. The EC would continue to apply a flexible ele-ment which would take into account such factors as currency fluctuations and serious market disturbances.

The quid pro quo for this, however, is that the EC would want its partners to accept rebalancing; that subsidies for one product can actually be increased provided the trend is downwards. This principle is fiercely contested by Washing.

# import quotas

THE European Community has agreed to phase out by March 1992 its voluntary steel import quotas with all third countries, as part of its general agreement on the trade with the US, writes Lucy Kellaway.

However, Commission officials said yesterday that some quotes were likely to be lifted.

of steel products next year. The Commission will decide next month on a timetable for dismantling the import restric-

The effect on the steel mar-ket is likely to be minimal as imports account for only 10 per cent of European steel demand, and only a fifth of this is from countries covered by steel quotas. These include Poland, Hungary, Bulgaria, Czechoslovakia, Romania, Bra-zil, Venezuela and Sonth

## EC to phase out voluntary

some agreements there are trigger points, there are events that are to take place within the domestic legal system that are specified in the agree-In the EC pact an exception has been made for subsidies promised to Finsider, now Ilva, steel company in Italy. Other exceptions have been granted for continued government support for environmental expen-ditures, research and development, worker retraining and

quotas were likely to be lifted sooner, with restraints removed altogether on certain countries and some categories business closure.
This leaves wide areas for potential disagreement. But

## POLITICAL CHANGES OPEN OPPORTUNITIES FOR PULP AND PAPER MAKERS Eastern European market beckons

By Maggle Urry

THE opportunities for pulp and paper makers being opened by the political changes in in Eastern Europe and the Soviet the final session of the two-day Financial Times World Pulp and Paper Coolerence in Lon-don. The conference was chaired by Mr David Clark, director of the European Paper

Mr Torbjörn Nilsson, head of MoDo Paper, part of the MoDo Swedish pulp and paper group, said the 150m people in East-ern Europe and 283m in the Soviet Union had been starved of consumer goods. Those countries used on average much less paper than in West-ern Europe. In East Germany per capita consumption was 83.7kg a year and in the Soviet Union 37.5kg a year compared

CONFERENCE WORLD PULP AND PAPER

with an average of nearly 150kg in the European Commu-

He said that companies'
"essential prerequisite to allow a positive response to Eastern Europe's invitation to help in the 1990s is to have already created a meaningful long-term strategy in the 1980s". He said MoDo had broadened

its base and become a global player, so eradicating its exposure to cyclical peaks and

troughs.
Other speakers discussed strategies for pulp and paper makers in the 1990s. Mr Ian Kennedy, managing director of Wiggins Teape, described a niche strategy, but warned: "A niche has often been spolled by a thoughtless intruder who believes that he can establish

executive officer of Cartiere Sottrici Binda, an Italian paper ket for specialty papers. He said these could enable a pro-ducer to build a partnership with its customers, and build

up brand loyalty.

A view of niche marketing of high-quality coated papers came from Mr Ulrick Scheufelen, chairman of Paplerfabrik Scheufelen, a family-owned Scheufelen, a family-owned West German paper group. He suggested that "price is often not the major factor" for differentiated products, unlike commodity grades of paper.

Rather, quality, service, flexibility and image were often more important competitive factors. "In principle" he said

factors. "In principle," he said, "all high-quality products require the same way of mar-keting, whether it is perfume, a car like Jaguar or Mercedes or art paper."

From Norway, Mr Arnfinn Hofstad, president and chief executive officer of Norske Skogindustrier, reviewed the outlook for the Norwegian paper producer. His company had been formed by the merger during 1989 of four groups and now accounted for over 70 per cent of Norwegian paper and

board capacity.

Norway is not a member of the EC but, Mr Hofstad said, for our industry access to the UK and continental markets is absolutely vital". In the longer term Norske Skog "needs to establish production facilities abroad". It is planning to build a mill in France.

The country has the advan-tages of the Norway spruce tree and plentiful energy.

The issue of the environment was frequently raised. Mr Peter Williams, chief executive of Reedpack, the group bought out from Reed International hyits management, discussed the use of recycled fibre in packaging and newsprint.

He pointed out that recent legislation in the US had

BRITISH AEROSPACE has for four BAe 146-200 sircraft

The latest orders for the BAe 146 were placed by Crossair, the Swiss airline company 38 per cent owned by Swissair. Crossair has placed firm orders

the niche for himself simply by using price as a mechanism for market access."

Mr Francesco Sottrici, chief executive officer of Cartiere system had started to generate large volumes of waste paper and supply of waste paper was

outstripping demand, forcing prices down. There were even reports of negative wharfside acceptable products is a neces-Mr Einar Boehmer, head of ments in pulp and paper mak-

Mr Jaakko Pöyry, chairman of Jaakko Pöyry, the consult-ing group, discussed how tech-nology could be used to help the contention of the party of the the environment. He said: "Re establishing the image of pulp

the Norwegian Pulp and Paper Research Institute, discussed other technological develop-

A view of the Spanish paper industry was given by Mr Jorge Nuñez, who is chairman of Torraspapel.

## Morocco to limit state intervention in trading

By William Dullforce In Geneva

MOROCCO plans to publish a new foreign frade code next year, limiting the scope for state intervention, simplifying regulations and confirming its commitment to a liberal trading system.

The Moroccan Government signalled its intention yester-day to the General Agreement on Tariffs and Trade, when the Gatt council discussed the second secretariat report submit-ted to it under the new Trade

Policy Review Mechanism Morocco renewed its commit-ment to liberalisation as its trade deficit worsenad and while debt servicing remains a constraint on its development. Projections indicate a surge of 13 to 14 per cent in imports this year against a stagnation or some decline in exports.

Trade reform started after a balance-of-payments crisis in 1983 when Morocco embarked on structural adjustment financed by the World Bank. Morocco joined Gatt in 1987. Since 1983 maximum tariffs on imports have been reduced from 400 to 45 per cent and the Government has been abandaring invest licensing and doning import licensing and

volume restrictions.

However, the Gatt secretariat points out, tariff changes are still frequent. Tariffs are a source of revenue as well as the main form of protection for domestic industry. A special 5 per cent import tax and a 10

per cent import tax and a 10
per cent stamp duty were
replaced last year by a 12.5 per
cent fiscal levy.

Nearly 90 per cent of imports
now enter without licensing
and it is mainly consumer
products which still figure on
the list of mode subject to lice. the list of goods subject to lic-ensing. Morocco has notified Gatt that retention of goods on this list is temporary.

Government officials told the

secretariat that full exemption from import authorisation for agricultural products was planned for the early 1990s. There is no definitive timetable for removing licensing requirements on industrial products.

Liberalisation of price con-trols across a wide range of products and the elimination of guaranteed prices for some farm crops had reinforced the market orientation of Moroc-can trade policy, the secretar-lat reported.

Morocco has succeeded in diversifying both its suppliers and its export markets, the secretariat noted.

• The US, European Community and other big trading nations have again put off until next spring consideration of China's membership of Gatt. Shen Jueren, Chinese Vice-Minister for Foreign Trade, ran

into a fusillade of questions, calling into doubt the direction of China's economic policy at the first meeting this week of the Gatt working party dealing with China's application since the massacre in Tiananmen

#### THE DAVID WATT **MEMORIAL PRIZE**

Following his tragic and untimely death in March 1987, The David Watt Memorial Prize was introduced in 1988 to commemorate his life and

Organised, funded and administered by RTZ. the Memorial Prize is a tribute to a man widely regarded as one of the UK's outstanding writers, thinkers and political commentators.

Those eligible for the annual prize of £2,000 are writers actively engaged in writing for news-papers and journals, in the English language, on international and political matters. Their writings, In the opinion of an adjudicating panel, will have made outstanding contributions towards the clarification of international and political issues and the promotion of greater understanding of such

The closing date for entries and nominations is 19th March 1990. Full details and Entry Forms are available from The Administrator, The David Watt Memorial Prize, RTZ Limited, 6 St James's Square, London SW1Y 4LD.



air europe

BAe wins \$340m orders for regional airliners By Paul Betts, Aerospace Correspondent

won orders worth more than \$340m for its four-engine 146 regional jetliner and its twinengine Advanced Turboprop (ATP) regional airliner. The orders confirm the growing market for regional aircraft and represent a boost for BAe's commercial airline division.

and has taken options for an additional eight 1468. The total value of the Crossair deal is put at around \$300m. BAe said yesterday it had

won an order worth more than \$40m from Biman, the Bangla desh flag carrier, for three ATP turboorop regional airliners. BAe said this was a break-through for its 70-seat ATP aircraft in Asia and the UK's largest commercial transaction with Bangladesh.

# **GOLD TO 1992**

#### **HAVE INVESTORS RECOVERED** THEIR NERVE?

The recent gold price rally will have come as no surprise to readers of The Economist Intelligence Unit's Report, Gold to 1992: New Mines and Stronger Markets. But how will gold investors behave from now on?

This Special Report investigates the developments that will affect all elements in gold supply and demand. It sets out a detailed forecast of both, year by year to 1992, and projects the likely lower limit for gold prices over the period.

CONT	ΕN	TS:	
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> Gold in Historical Perspective

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> South African Production and Companies

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> Australian-Pacific Production and Companies

➤ Other Countries and Producers

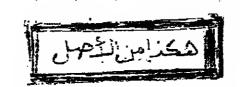
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The problem with paradise, he thought as he made his way back to the plane, was that fax machines were a bit thin on the ground. And head office wouldn't appreciate a message in a bottle. "Take me to the Hilton." Some time later, duty done, he relaxed in the bar and watched the sun go down as he waited for his companions to join him for dinner. He'd made the right choice, no doubt about it. You too can be sure. There's no place like home. And when you're away, there's no place like the Hilton.  $\diamond$  For reservations at over 400 hotels, call your travel agent, any Hilton hotel or Hilton Reservations Worldwide: (Germany: 069-25-01-02, France: 1.46.87.34.80.)

THE HILTON · THE HOTEL

#### **OVERSEAS NEWS**

# India to tighten restrictions on selected imports

By David Housego in New Delhi

INDIA is to introduce further "selective" import curbs in an effort to slow down the fall in its foreign exchange reserves, Mr Madhu Dandavate, the new Minister of Finance, confirmed

Speaking at his first press conference since taking office last week, the minister gave the impression that he would go beyond the postponement of large capital projects and the restrictions on imports of elec-

tronic components carried through by the previous Congress administration.

It is expected that tariff increases and new quantitative restrictions are likely to be announced soon - though among officials there are doubts on whether substantial

savings can be made in the import bill.

While Mr Dandavate's remarks suggested some retreat from liberalisation, he was keen to put across that his approach to handling the economy would be "pragmatic and realist". He said he would bring in an interim budget early in the year while post-poning a full budget for a few months to allow the govern-ment more time to study the

available options available options.

He spoke a day after the
Bombay Stock Exchange index
climbed past its previous June
1989 peak in a surge of equity
values that in part reflects
growing confidence in the new
administration

administration. In his remarks, the minister left open the possibility of India seeking a fresh IMF loan while insisting that the govern-ment would not accept condi-tions that ran counter to its basic economic and financial policies. Bankers believe that The kidnapped daughter of Mufti Mohammad Sayeed, the Indian Interior Minister, was released yesterday in exchange for five Kashmiri militants, Renter reports from Srinigar. The five mili-tants were set free in the old city of Srinagar, as the seces-sionist Jammu and Kashmir Liberation Front had demanded, in exchange for Rubia Sayeed, 23.

India will need to raise about

Mr Dandavate gave little encouragement to foreign multinationals saying that india would seek foreign equity capi-tal only "where absolutely nec-

essary and essentials — such as export industries or high technology sectors.

He also held out little hope that it would give an early go-ahead to proposals being studied by Prime Minister Rajiv Gandhi's administration for reising the normal ceiling for raising the normal celling on foreign companies' equity holding in a joint venture in India from 40 to 51 per cent. He confirmed that the government will bring in measures to provide debt relief for farmers – but said that the cut off point was still being studied and that the move would not damage the balance sheet of commercial banks.

The minister yesterday came under further pressure to make a rapid announcement on this front when two Congress-run state governments - Madhya Pradesh and Himachal Pradesh - announced that they would bring in debt-write off schemes more generous than that originally proposed by the National Front administration. National Front ad

# High growth rate forecast in Japan

By lan Rodger in Tokyo

JAPAN'S economy is likely to achieve a fourth year of strong growth in 1990-91, propelled by corporate capital spending and personal consumption, according to most leading private economic research institutes.

Nomura Research Institute (NRI), Tokai Bank, Daiwa Insti-tute of Research and Fuji earch Institute are all forecasting a 4.5 per cent real gross national product (GNP) growth in the fiscal year to March, 1991, compared with an expec-ted 5 per cent rise in the current fiscal year and 5.3 per cent

last year.

Even the most pessimistic among the institutes, Sanwa Research Institute, is expecting a brisk 3.8 per cent rise in GNP on the strength of a 7.7 per cent boost in corporate capital spending and a 4.1 per cent rise in personal consumption. Cor-porate investment, which has been rising rapidly for three years, is expected to continue to rise as companies try to off-set labour shortages with investments in automation.

Personal consumption growth slowed this year because of the introduction of a 3 per cent consumption tax but may revive next year as consumers get used to it.

Although these domestic fac-tors are likely to remain the driving forces behind economic growth, the forecasters are not expecting any decline in Japan's bloated trade surplus next year. Many believe it will rise from the estimated \$77bn (£48bn) in the current fiscal year, as the effects of the year's from the record recent weakening on import previous survey.

prices unwind and domestic demand softens later in the year. Sumitomo Bank, for example, is forecasting a surplus of \$90.7bn and Mitsubishi Trust and Banking expects a surplus of \$91.9bn.

Forecasts on the current account surplus vary more widely, because of the diffi-culty of predicting invisible this fiscal year.

Most forecasters were wrong-footed this year on the

trend of the yen-dollar rate. and are cautious about predict-ing much strengthening next year, despite the lack of prog-ress in reducing the US Japan trade imbalance. Sumitomo Bank is the most aggressive, expecting that the dollar will fall to Y130 by the end of the year, but Mitsubishi Research institute is predicting virtually no movement from the current

Despite the very high operating rate of the economy and an extremely tight labour market, economists expect prices to become more stable next year. The consumer price index this fiscal year may rise by 2.9 per cent, according to NRI, mainly because of the introduction of the consumption tax, but next year it could ease up only 1.8

Meanwhile, tha Bank of Japan's quarterly curvey of companies' views on the eco-nomic outlook has indicated a slight decline in confidence from the record level of the

# Mandela transformed from martyr to politician

By Patti Waldmelr in Johannesburg

NO ONE dares speak ill of a martyr — at least not in pub-lic. So for the past 27 years of his imprisonment, apartheid's chief martyr, Mr Nelson Man-dela, has been largely

exempted from criticism.

But in recent months — as

Mr Mandela has been allowed to meet a wide range of South African leaders, both black and white - the process of trans-forming him from hero to poli-tician has finally begun. And as his political role has grown, so have the fears of black radicals that the 71-year-old Mr Mandela may compromise

their struggle.

Black suspicions focus on the ANC leader's numerous meetings with government ministers, and with two South African presidents: Mr P.W. Boths, who shocked the country by entertaining Mr Man-dela to tea last July, shortly before resigning as State President; and yesterday, Mr F.W. de Klerk, the serving Presi-

Black radicals have com-

plained privately that negotiations over the country's future were being conducted in these meetings. They have ques-tioned Mr Mandela's right to negotiate without a mandate from his constituency - union leader, Mr Cyril Ramaphosa, a prominent figure in the antiapartheid movement, stressed recently that Mr Mandela was "a member of the ANC...[like] any other mem-ber of the ANC." Radicals obviously fear that the elderly ANC leader might give too much

Until yesterday, Mr Mandela steadfastly denied that negotiations had taken place. But the government statement announcing yesterday's talks - which Pretoria says was approved by Mr Mandela - indicates that the meeting explored "ways and means to address current obstacles in the way of meaningful dialogue".

In other words, Mssrs Man-dela and de Klerk held "talks about talks" – the sort of pre-negotiations which will be essential before the Government and the ANC, not to mention other black groupings, can sit down to substantive talks. Indeed, yesterday's talks

appear to have gone much fur-ther than those held between Mr Mandela and Mr Botha last July, after which it was empha-sised that no policy issues had been discussed and no negotia-

tions undertaken.
With "follow up talks"
planned for the New Year, according to yesterday's statement, the process of rapprochement between the two sides could begin to speed up. But a faster pace will certainly not please some sectors of the activist community.

Last weekend's anti-apart-beid conference in Johannesburg – the largest ever held in South Africa – was called primarily to agree a joint approach to the question of talks. But two major black

political groups did not attend – the Zulu political movement Inkatha, headed by Chief Mangosuthu Buthelezi, and the radical Pan Africanist Movement ical Pan Africanist movement and a third group which did attend, the Black Conscious-ness Movement, later dissoci-ated itself from a conference

declaration on negotiation.
So a unified black position
on negotiations appears to be
as distant as ever. In the meantime, Mr Mandela is understood to have drawn up his own document on negotiations - separate from that written by the ANC and endorsed by the Organisation of African Unity and the non-aligned movement. The existence of such a document is a further irritant to black radicals, who fear that

Mr Mandela may compromise on issues such as protections for white minority rights.

All along, Mr Mandela seems to have taken the lead in push-ing anti-spartheld activists to consider talking to Pretoria. A year ago, they regarded the notion with horror; now the question of when and how to negotiate is at the top of the black political agentia. Though he does not have a mandate from the black con-stituency, Pretoria has allowed Mr Mandala to consult activist leaders regularly - including a three-hour meeting on Tuesday with Mr Walter Sisulu. But for

the moment, he appears to be setting his own agenda: exactly what is on that agenda

Mr Mandela may compromise



# Boat people in protest marches

By John Efflott in Hong Kong

MORE than 6,000 Vietnamese boat people yesterday staged angry demonstrations in three detention centres against Hong Kong's manda-tory repairiation policy which started two days ago with the expulsion of 51 men, women and children by plane to Hanoi.
The Hong Kong's Government is now draw-

ing up a programme for a series of airlifts which it will submit to the Victnamese Government in Hanoi for approval. At the same time it is beginning to select the people who have failed to qualify as refugees and who will be sent back.

Yesterday's demonstrations were the first to culty of predicting invisible flows. Full Research Institute believes it could tumble to \$43bn from an expected \$58bn this flowal years.

About 6,000 people marched around high security camps at Whitehead in Kowloon and at Hei Ling Chao island for up to three hours shouting slogans and carrying placards proclaiming: "We would rather die than be sent home". A further 300 demonstrated at Chi Ma

Wan camp, which houses more than 2,000 people who have failed to qualify as genuine refu-gees in screening tests. Despite international protests, the Hong Kong Government is ada-

mant that it will not change its policy of send-ing home some 40,000 boat people who are not expected to qualify in the screening tests.

"It is our intention to put into place a con-tinuing programme to return to Vietnam all those who are judged not to be refugees." Sir David Ford, Hong Kong's Chief Secretary, said yesterday at a meeting of the colony's legisla-tive council. The mandatory repatriation is covered in an

nam some months ago. A subsidiary accord was reached specifically for Tuesday's first flight because Vietnam was not prepared to bind itself to more until the first one was completed. Now Hong Kong wants to start a programme and its next submission to Hanoi will therefore cover a series of airlifts. These will not take place until after Christmas because of the degree of organisation involved.

# Saudi pride acts as small print in BAe's arms deal

By Victor Mallet and David White

IN MANY waye the Saudi-British Al-Yamamah arms deal, reinforced in the past few days by a Saudi cash injection of nearly £2hn and by expectations that more oil will be set aside for future pay-ments, is typically Middle East-

It was seized by Britsin from the teeth of the French; it depends on oil revenues; both parties are secretive about the details; and the contractual obligations in the agreement are nebulous rather than legalistic. Honour and shame are as important in the Guif as small print is in Europe.

But in one important respect

 size - Al-Yamaman is exceptional. The two-stage agreement involves the delivery of 120 Tornado combat jets, as well as more than 200 other aircraft and helicopters, mine-hunters, weapons, training and facilities, including a full-scale air base, its value is estimated at more than £15bn. The potential profits and risks for British Aerospace, the main contrac-tor, and its sub-contractors are

particularly large.
Until recently, tharefore,
BAa was approaching the end
of its financial year on December 31 with some trepidation. The company knew that it was carrying a very substantial cash shortfall on the Saudi deal, because the value of the Saudi oil liftings allocated to the agreement was not suffi-cient to match the value of BAe deliveries.

The situation was particularly embarrassing because the City had been assured after BAe's interim results that the leficit would not be a problem

by the end of the year.
From the beginning BAe was aware that it faced risks both on the price of the oil used to pay for the deal, and on the

exchange rates of the dollar (the unit used for oil pricing) against Sterling and other cur-rencies. But it had confidence in the firm support of the Brit-ish Government and in its rela-tionship with the Saudis. Previous snags since the inception of the deal in 1985 had been ironed out in meet-

ings between the two gover ments (it was they who signed the agreement) and BAe. If there is a deficit or a surplus Perhaps the £2bn loan Britain was arranging

was simply too large and too public for the Saudis to stomach: on payments, the contract apparently stipulates only that the two sides should sit down

and discuss the issue.

The Saudis had already increased the oil liftings for Al-Yamamah progressively from 200,000 barrels a day at the start - when oil prices were in the region of \$25 a barrel - to about 400,000 b/d today. They had also made a comple of cashpayments, including one backed by a discreet credit facility arranged by Saudi International Bank

Delivery schedules and the vagaries of oil prices, however, meant that this year's deficit was very large. To cover the gap before the year-end, Britain pushed for a £2bn bank. loan backed to the time of £1.25bn by the Export Credits Guarantee Department, although the Treasury had reservations about the arrange-

Apparently embarrassed by revelations about the propos Ioan because of Islamic strictures on the use of bank interest and because of the sugges-

tion that it did not have enough money, Sandi Arabia decided to pay in cash. Even if the source of the finance remains a mystery — there is speculation that the Government called on wealthy private sector businessmen to contrib-ute – there could be no mis-take about Saudi Arabia's

sense of injured pride.

"Contacts between the governments of Saudi Arabia and Britain ended with Saudi Arabia paying its full commitment to these projects without the need for borrowing," a Saudi official statement said

Saudi official statement said yesterday. The Kingdom of Saudi Arabia ... wants to reiterate its capability to cover on time all payments of all projects it signed with the British and other governments."

Saudi Arabia is already quietly paying and earning interest on this and other transactions in any case; BAs charges for any shortfalls on scheduled payments, and interest is payments, and interest is earned on any surplus in the Sandi Ministry of Defence account in London from which the UK Ministry of Defence draws money to pay BAs. (The MoD also takes a small percentage to cover its own management costs). Perhaps the

£20n loan was simply too large and too public to stomach. Saudi Arabia's cash payment is expected to be reinforced with a 25 per cent increase in oil liftings to 500,000 b/d, although the additional 100,000 b/d may be sold through differ-ent channels from the rest. Royal Dutch/Shell and British

the current average liftings of around 400,000 b/d. In the meantime, the abortive £2bn loan arrangement will be put on ice, and can be adjusted and revived if the need arises.

Morocco adopts

programme for

privatisation

#### E Timor oil deal upsets Lisbon US increases food relief assistance for Ethiopia By Patrick Blum in Lisbon

By Michael Holman, Africa Editor

THE US, warning that Ethiopia faces a food shortage which may rival the famine of 1984-85, is giving a further 111,000 tonnes of assistance. It brings total US food commitments so far to 165,000 tonnes. far to 165,000 tonnes. Mr Mark Edelman, acting administrator of the Agency for International Development,

said on Tuesday that the com-bination of drought and civil war put "about 5m people at risk of starvation." Around 750,000 tonnes of food is needed, he added. This is substantially higher than other recent estimates, which have put the figure at some 600,000

Hopes that the Ethiopian government had agreed to open safe passage corridors in the country's war zones, allowing easier access to the drought-stricken north, received a setback yesterday. Earlier this week Preside Daniel arap Mot of Kenya said that the Ethiopian leader, Men-gistu Halle Mariam, had agreed to establish relief aid corridora.

However, a Kenyan foreign ministry announcement said yesterday that the proposal was still being considered. Donors have stressed that without such corridors it may be impossible to get sufficient supplies to affected areas.

THE Portuguese Government has recalled its ambassador to Canberra in protest at the sign-ing on Monday of an agree-ment between Australia and

Indonesia allowing Australia to prospect for oll in the Timor Gap which separates Portu-gal's former colony in East Timor and northern Australia. Indonesian troops marched into East Timor in December 1975 – at the height of the Portuguese revolution - and later annexed the territory. The annexation has not been recognised internationally, and at Portugal's prompting, Indon-esia's action has been condemned by the United Nations and, more recently, by the European Community.

The UN still recognises Portugal as the legitimate authority in East Timor, and following Namibia's independence. East Timor is the last remaining region to be classified by the UN as a non-autonomous territory. The UN has been mediating for several years between Lisbon and Jakarta in an effort to find an acceptable

The agreement allowing Australia to prospect offshore for oil and gas over 40 years in the 23,550 square miles Timor Gap has drawn howls of pro-tests in Portugal, where it is seen as undermining moves to find a diplomatic solution. The Portuguese ambassador to Canberra has been recalled

indefinitely to express the Lisbon Government's anger. Estimates suggest that potential oil reserves in the area could reach ibn barrels, though Dutch oil industry sources say the figure may be seven times as high.

liberation struggles in its African colonies, Portugal failed to respond at the time of the Indonesian takeover of East Timor - its most distant and neglected colony. Only in recent years did Lisbon seek to find a solution which would justify the aspirations of East Timor'e population and, indi-rectly, reaffirm Portugal's

#### MOROCCO'S Parliament has adopted legislation to privatise 113 enterprises including four leading banks and 37 hotels, an official source said yesterday, Reuter writes from Rabat. The new law comes into force when published in the Caught in the throes of its revolution and in the midst of government gazette next month. Within a year the gov-

ernment will draft decrees detailing procedures and the operation is to be completed within six years.

The enterprises affected do not include so-called strategic sectors like the phosphate industry – the mainsky of the economy – the national six economy - the national airline, railways, water and elec-tricity utilities or the central

bank.

Mr Moulay Zine Zahidi, the Minister of Economic Affairs and Privatisation, told Parliament on Monday night the companies would be transferred to private ownership through the financial market, calls for tenders or a combination of both.

He said there would be safe.

He said there would be safeguards to prevent them being taken over by private monopo-lies or the wealthy. A degree of foreign capital would be par-mitted, he said.

The Bill was adopted by 78 votes with 45 against and three

#### **Tunisian Islamic** party seeks legality

cal party, but members of the movement said it seemed that the Government was stalling by refusing to accept the appli-cation. Jihan el-Tahri reports

dha (Renzissance) comes at a time of increasing concern in Tunisia and throughout the Arab world over the issue of

allies won the largest bloc of seats in the new Parliament.

# Philippines economy held hostage by coup plotters

Roger Matthews assesses the long-term damage inflicted by the latest attempt to oust Mrs Aquino

OME 3,000 men have in the past two weeks ensured a more miserable 1990 for many of the 59m citizens of the Philippines, in particular the 50 per cent who already live below the official poverty line.

At best, the rebel troops who attempted to overthrow the Government of President Coreson Against ment of President Corazon Aquino will have slowed the progress of the economy; at worst, their action will add dangerously to the list of those who contend that the Philippines' capacity for self-inflicted damage has yet to be fully realised.

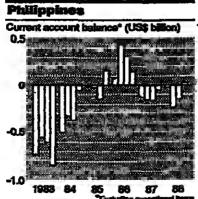
It is that perception which will be the most threatening. A substantial increase in foreign investment is seen by the Government and international agencies as vital if the country is to break out of the decline which left per capita GDP at almost exactly tha same level when Mrs Aquino came to power in 1986 as it had been in 1974. It is difficult now to comprehend that 30 years ago the Philippines played in an altogether more elevated economic league than the likes of Taiwan and South Korea.

Of course those countries did not suffer the ravages of the late President Ferdinand Marcos whose influence and friends continue to cast a shadow over the country. But in the last year that shadow had retreated a little. The economy will grow this year by a respectable if, by Asian standards, unexciting 5 per cent to 5.5

Board of Investment approvals for new foreign applications shot up by nearly 130 per cent in the first half, fixed capital formation climbed by 25 per cent, and at least part of the 29 per cent increase in the trade deficit was due to higher imports of machinery and other capital goods.

There was just sufficient evidence to support the argument that con-

sumption was giving way to invest-ment as the main engine of growth. As important was the international perception of the government's economic management. Debt and aid negotiations with successively the International Monetary Fund, the Paris Club, the country's 483 creditor commercial banks and the members of the Philippine Assistance Programme passed off satisfactorily this year, and Filipino officials sensed an atmosphere of international goodwill. It was officially predicted that the combination of debt rescheduling, additional aid commitments and improved invisibles, such as tourism. would check the worrying growth in the balance of payments deficit and allow some improvement in the country's reserves which by mid-year stood at little more than \$500m (£312m), down by half since the end of



1988. Even so, close to 25 per cent of export earnings will be needed this year to service the country's \$28bn external debt, underlining how vital it is for swift progress to be made on import substitution and export related

simultaneously, aid disbursal could be speeded up (some \$2bn was stuck in the pipeline last year) by cutting bureaucracy and corruption, the benefits might more rapidly reach those most in need, particularly in the

countryside. In short, despite all the obvious shortcomings, despite the Communist

insurgency, despite increasing crime in the cities, and despite the fragility of its new political institutions, the Philippines was attracting greater investor interest, led by Taiwan and Japan, and aided by political intoler-None of which mattered to the offi-cers and men of the Scout Rangers,

Marines and other army units who had presumably dacided that they, and whoever pulls their strings, could do better. In order to bring about this happier state of affairs they bombed, rocketed and shot up part of Manila, occupied the city's financial district, frightened a lot of foreign residents and tourists and caused the US Government to say it would cut off aid if democracy was defeated. "The need to maintain democracy was greater than any other consideration," said a senior US diplomat in explaining why jets were sent to the aid of the Aquino

The immediate consequences of the rebels' action are obvious. Hotels in Manila which were full are now twothirds empty. Companies, like Sony, which were close to committing themselves to large-scale investments will spend some time reassessing the situ-ation. Other companies which were not so far down the road will wait longer or look elsewhere. One Japa-nese executive commented that quite apart from the viability of a project in the Philippines he now had to assess the safety of personnel who would be transferred from Tokyo.

Without convincing remedial action by the Government the longer term is, if anything, more worrying. No-one in Manila, it seems, from top army commanders to senior Western diplocommanders to senior Western diplomats will say that they think another coup attempt is unlikely. Some admit privately that they think another one is almost inevitable, given the high level of politicisation within the armed forces, the almost total lack of respect for the Constitution, and the unwillingness or inability of President Agming to make decisively against the Aquino to move decisively against the saffected elements. They fear also a continued erosion

of Mrs Aquino's popular support, pre-cisely because of the setback the economy will suffer over the next few

But the real absurdity is that in their distillusion with Mrs Aquino parts of the business community actu-ally wish the rebels had succeeded. However, they should stop and lis-ten to what President Bush is saying Without US and international support, the prospects for the Philippines economy under a military junta would be in sharp contrast to the modest optimism which existed on

#### Aquino given special powers to avoid unrest

THE Philippines House of Representatives yesterday voted President Corazon Aquino emergency powers for 90 days to help her rebuild the economy and thwart further coup attempts, Reuter reports from Manila.

The Senate, expected to approve a similar Bill, post-poned its vote for a day after the opposition sparked a mara-thon debate on a provision that would allow Mrs Aquino to take over public utilities and related businesses. The two chambers are to present a joint Bill to the President who is expected to sign it into law

The law would grant Mrs Aquino, who this month survived the sixth coup attempt against her, powers to seize firearms, take over public util-ities, fix prices, regulate power supplies and confiscate hearded food.

The lower house denied her some of the wider authority she had requested, including the power to ben strikes and suspend labour laws and an open-ended provision that some legislators said would have given her lawmaking

# abstentions.

Tunisia's Islamic movement yesterday renewed its applica-tion for legal status as a politifrom Tunis. The application by el-Nah-

Islamic fundamentalism.

An Islamic party has recently been legalised in Algeria, while in Jordan the Moslem Brotherhood and its allies won the largest bloom.

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# Air crash report urges European gangways code

BRITAIN'S Civil Aviation tion of UK standards for access Authority (CAA) called yester-day for a new European craft. After the Manchester requirement to widen gang-disaster, the CAA required airrequirement to widen gang-ways through aircraft bulk-heads to 30 inches compared to the current international mini-mum of 20 inches to make it easier for passengers to evacu-ate an airline in emergencies. The CAA recommendation followed a two-year research programme conducted by the Cranfield Institute of Technology in Bedfordshire and involv-

ing 2000 volunteers commissioned by the regulatory authority after 55 people died in a British Airtours Boeing 737 jet which caught fire at Manchester airport in 1985.

The new safety proposals, if adopted, would apply to new aircraft designs and not to existing aircraft. Boeing said yesterday the proposals if applied were not expected to involve any change in aircraft design but could involve some modifications in the internal fittings of certain airlines. The CAA also said yesterday it plans to use the test results to press for international adop-

lines in the UK to increase the gap between seats in front of the over wing exits. in airline crisis situations. Its

the influence of changes to cabin layout on passenger evacuation rates. The results showed that evacuation of an aircraft was significantly enhanced when the passage-way through the bulkhead was widened to 30 inches or more. If adopted, the new international standards would only apply to future aircraft, British airline officials said.

Mr Ronald Ashford, the CAA's director in charge of safety regulations, said the proposed measures would not mean fewer seats in an aircraft showed that evacuation of an

mean fewer seats in an aircraft mean fewer sears in an ancient but structural changes in the gailey and wardrobe areas. A Boeing official said this would probably imply some refitting in the internal configuration of

# Renault arm plans to cut UK workforce

By Kevin Done, Motor Industry Correspondent

RENAULT Truck Industries, the UK truck assembly subsidiary, of Renault Véhicules industriels of France, is to cut its workforce by 28 per cent in response to continuing losses and the recent sharp downturn in the UK commercial vehicles

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RTI said that it was planning to reduce its 1,070 strong work-force at its Dunstable plant and at its Eimdon, Birmingham parts and service centre, by around 360 during the first half of 1990. The cuts will chiefly hit tha company's hourly paid employees in its manufacturing and machining operations in Dunstable.

The company said the job cuts, had been forced by the

The tests involved extensive

search on human behaviour

some aircraft.

with its negative effect on the

road transport industry and

the consequences for the truck market." Despite speculation about RVI's long-term commitment to maintaining a truck assembly capacity in the UK in the face of long years of losses, Mr Dieter Merz, RTI managing director, said, that RVI, the parent company, had no intention whatsoever of closing

the Dunstable plant". RVI has staged a dramatic financial recovery in the last three years after years of very heavy losses in France, but it has falled to turn round its

#### In Brief Fimbra ends meeting virtually unscathed

Lord Elton, chairman of the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) and his Council smerged virtually unscathed from yesterday's annual general meeting held at the Wembley Conference Cen-

Relations between Fimbra and its members have been steadily deteriorating over the past few months, but members attending the meeting rejected a series of resolutions critical of Fimbra and Lord Elton. .

Computer virus

City of London police warned yesterday that mystery com-puter disks delivered to offices in London, Edinburgh and elsewhere were infected with a "virus" which could seriously affect any system into which they were loaded.

**Immigrants** arrested EIGHTEEN of 64 cleaners arrested at BP's City of London offices on suspicion of breaching immigration regulations were served with deportation notices yesterday.

Airport standstill

Manchester Airport, Britain's Manchester Airport, Britain's third busiest, remained closed to all passenger flights yesterday, disrupting services to North America and Europe, as concession holders started to lay off staff and close down shops because of a strike

Hill Samuel case Five men accused of conspiring to defrand Hill Samuel, the merchant bank, were yesterday committed by Guildhall magis-trates for trial

Port dismissal Dismissal notices were yester day sent to more than 700

dockers taking unofficial industrial sction which has disrupted sailings at Felixstowe. W German job talks

Mr Peter Brooke, Northern Ireland Secretary, said eco-nomic development officials operations in the UK and in the US, where Mack, its US derman companies which associate, is also running up jobs in Northern Ireland.

Company to demerge subsidiaries to relieve crippling debt burden

# Eagle Trust board unveils rescue plan

By Richard Tomkins, Midlands Correspondent

erate at the centre of an investigation by the Serious Fraud Office into the alleged misdi-rection of funds, yesterday unveiled a rescue plan aimed at salvaging some value from the company for its sharehold-

ers.

It will mean demerging some of the group's subsidiaries into sub-groups to relieve them of the crippling debt hurden built up by the parent company as a result of the financial irregularities now under investigation.

Mr David James, the company doctor who stepped in as Eagle's chairman in Septem-ber, told a meeting of about 300 Eagle shareholders in Birming-

THE new board of directors of ham yesterday that the perent Eagle Trust, the mini-conglom-company had incurred losses of £64m, wiping out sharehold-ers' funds and leaving a deficit of some £20m.

The parent company's bank debts of £60m were now so great that although many of the snbsidiaries were profit-sble, they could not make enough money to pay off the parent company's interest charges, still less reduce the

The new board's plan is to hive off some of Eagle's sub-sidiaries into two smaller holding companies: a film and tele-vision group comprising Samuelson and Cine Holdings, and an industrial group com-prising Mitchell Somers, John Sydney and Trio Containers. The rest of the businesses will be divested, and the proceeds - which Mr James estimated could reach £30m
— will be applied to bringing
down the parent company's

debt.

Residual debt will be split between the two sub-groups. Eagle's 32,700 shareholders will receive shares in either or both of the new companies in proportion to their existing hold-

mgs.
Eventually, the aim is to bring the new holding companies back to the stock market.
Mr James told shareholders that £27m of Eagle's losses stemmed from the group's involvement with Eagle Express, the parcels subsidiary which is now in liquidation.

in LaForza, a motor car proj-Funds had passed between

these two companies "with tha speed of the ball at a Chinese ping-pong match" and it was difficult to establish how the About £10m appeared to have ended np with the car project, and some £13.5m appeared to have been used to meet sub-underwriting com-mitments in Eagle's disastrous 1987 rights issue, Mr James

"Of the rest, part funded losses at the parcels business.
But that still leaves a lot of cash missing, which is the subject of continuing investigation.

#### Continental debut for traditional mint crisp

party, Elizabeth Shaw mint crisps, could fall into Scandinavian hands if Ruhtamaki, the Finnish food group, succeeds in its attempt to buy the busi-

Huhtamaki has been associated with Elizabeth Shaw
- which makes liqueur chocolates, children's chewies and Parkinson's boiled sweets as well as mint crisps - since the spring when it acquired a minority shareholding to support s £24m management buyout from Hanson.

It has since added its UK to has since added its the confectionery products to Elizabeth Shaw's portfolio and the two companies have developed plans to use Huhtamaki's distribution system to introduce Elizabeth Shaw's mint crisps and boiled sweets to

other countries.

Huhtamaki, through the
Leaf Group, its UK subsidiary,
has approached Shaw to take
full control of the company. It the control of the company. It presently holds 30 per cent of the equity. The two companies are still in discussions, but the deal is expected to be concluded early next year.

Elizabeth Shaw has passed through the hands of a num-

ber different owners in the 1980s. It was bought by the Imperial Group in 1986 and than by Hanson - when it pounced on Imperial - the following year. This spring it won its independence as one of several food businesses to

stage buy-outs from Hanson.
The company, which
employs around 800 people,
owns a chocolate factory in
Bristol and a confectionary
factory in Southport. It made operating profits of £2m on turnover of £30m in its last financial year. The addition of Leaf's products has boosted its turnover to £40m.

Mr Geoff Matthews, 1 shaw could continue as an independent company but it needed to secure additional capital to expand internationally. Huhtamaki, he said, would offer access to the nec-essary capital and provide the distribution network needed to introduce Elizabeth Shaw mint

# Clarke rules out pay formula for striking ambulance workers

By Fiona Thompson, Labour Staff

THE incressingly hitter ambulance strike reached deadlock yesterday as Mr Ken-neth Clarke, Health Secretary, ruled out ever giving ambulance workers a pay formula or review body the main plank, along with this year's pay sward, of the 13 week-long dis-

In an intervisw with the Financial Times, Mr Clarke was not in any way placatory towards the claim lodged by the five unions representing the bulk of the country's 22,500 ambulance staff. He stressed that under no

circumstances would be inter-vene and order the NHS man-agement to pay more money to end the dispute. The 9 per cent offer over 18 months was final. He dismissed support shown for the ambulance workers by the public in a series of opinion polls as due entirely to their popularity, not any under-standing of their pay claim. Mr Clarke's comments came

as ambulance crews in London voted to boycott, from 7am tomorrow, emergency calls going through official channels and act only on pleas for help made directly by the public,

police, hospitals, local doctors and firefighters. Crews have said they will

circulate a list of ex-directory numbers for people to ring. At the moment, all emergency calls in London are being pased through to the police,

army and voluntary services.

Mr Chris Spry, general manager of the South West Thames regional bealth anthority, which runs the London service, described the escalation of the dispute as "an extremely dangerous step and the most

significant threat yet to patient safety".

The decision to step np action came on the eve of talks between management and unions this morning, which already had a question mark over them.

Mr Clarke said that if the deal was not accepted by enough ambulance staff, management would presumably in due course impose it.
The unions have claimed

throughout the dispute that Mr Duncan Nichol, NHS chief executive, has been following orders from Mr Clarke, But Mr Clarke denied he had any role to play in ending the dispute.

# Government claims 99.95% response to poll tax registration

AN AVERAGE 99.95 per cent of people liable to pay the com-munity charge, or poll tax, in England and Wales from next April 1 have now registered across the country, the Government claimed yesterday.

The figure for the City of London is a remarkable – some would say mirac-

ulous - 145.5 per cent.
The figures, reminiscent of the turn-out in Soviet elections in the pre-Gorbschev era, would mean that fewer than 18,000 have failed to register

They were treated with the deepest scepticism by local authority leaders and by politi-

"I don't want to belittle the marvellons job councils have done, but this is ridiculous. It just shows up the silly besis of the comparisons and the paucity and inadequacy of the fig-ures," said Mr Martin Pilgrim, under secretary for finance at the Association of Metropolitan Authorities. It was a typical reaction.

The figures are based on a Government astimate that 35.57m adults are eligible to pay the charge, and this in

turn is based largely on 1981 census figures, updated by the Office of Population Censuses and Surveys from National Health Service and other sources. Tha figures are acknowledged to be inadequate and out of date.

What the comparisons do appear to show, though, is that the campaign by some Labour-led local anthorities — opposed by the national leaderposed by the national leader-ship — to discourage registra-tion has failed although the numbers of those registering as a proportion of the eligible population is bound to be less than the government's claims. Mr David Hunt, Minister for Local Government, told the

Commons that the returns represented s triumph. "The Gov-ernment is on course for a successful introduction of the community charge next year -99 per cent registration represents a major success in any terms," he said. The figures inevitably show

a wide range of registration levels, partly because of demo-graphic changes and partly because of variable enthusiasm and competence among local

crisps to the continent.

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leather pockets that comfortably hold 30 cards. Finecell black leather case, lined with FT-pink moiré silk. 77mm x 107mm. The PT Jotter/Calculator Wallet has a calculator on a magnetic bees, a jotter with FI-pink paper and a ballpoint pen. Finecell black leather case with clasp, lined with FI-pink moiré silk. Gilt corners. Shuna x 106mm.

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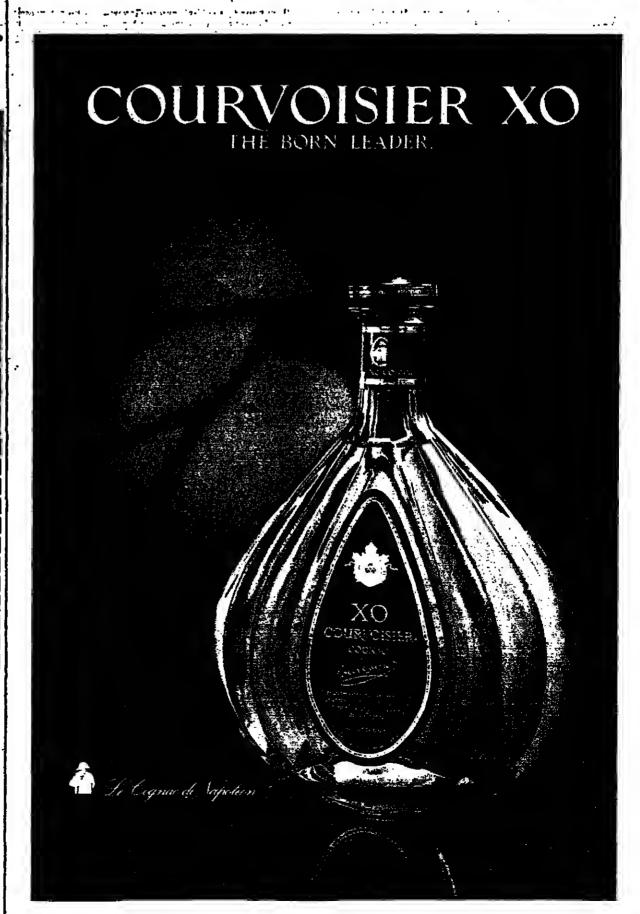
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# Government softens stance on golden shares

THE Government yesterday signalled it was ready to adopt a more sympathetic approach to bids for privatised companies after saying it was unhappy about holding golden shares which generally limit foreign ownership.

Mr Nicholas Ridley, the Trade and Industry Secretary, told a House of Commons committee that the Government had reservations about holding golden shares in privatised companies, particularly where the shares have a limited lifes-

He argued that the shares' restrictions on foreign owner-ship may become increasingly out of place as investment decision had to be seen in an inter-national, and particularly a European, context.

Mr Ridley's comments cast further doubt on the Government's commitment to the 11 golden shares it holds.

being proposed remains abso-

The British Government, she

insists, has no objection in principle to a European social

dimension or to a charter

which advances that objective - particulary in areas like

health and safety - hut Mrs

right to use its share in Britoil during its takeover by BP and in October Mr Ridley cleared the way the Jaguar takeover by Ford of the US waiving his right to prevent a foreign take-

Companies such as British Steel and the privatised water companies, where the Govern-ment holds shares with a duration limited to five years, will become more likely takeover targets. The Government may be increasingly reluctant to use golden shares in future pri-

Mr Ridley said he could not imagine circumstances in which the Government would redeem those special shares which are indefinite life.

It has emerged, however, that British Aerospace, the largest company with an indef-inite golden share, has become increasingly critical of the way limits on foreign ownership in the restructuring of the European defence and zerospace industries.

A memorandum BAe has submitted to the committee on trade and industry suggests that the company would prefer The committee launched its inquiry after the waiver of the

Jaguar share 14 months before it was due to expire. A special share can enshrine a variety of conditions in a company's articles of association, ranging from limits on foreign ownership to the com-position of its board of direc-

Most of the shares have an indefinite duration but some are intended to offer a company temporary protection while it adjusts to the commercial environment.

Mr Ridley, responding to criticism that his Jaguar deci-sion tipped the balance in favour of Ford and away from

General Motors - the partner preferred by Jaguar senior managers - said: "The evi-dence from Jaguar is that far from being a great help the golden share was a complication and not a desirable thing

The Government had reservations about golden shares because they created dilemmas which it should not have to face. Whether it decided to waive or keep its golden share in the midst of a bid, the Government was in danger of dis-

ernment was in danger of discriminating against one bidder in favour of another, he said. Mr Ridley implicitly accepted that the shares could serve as a shield to protect managers from the discipline of takeovers. He said his decision to waive the Jaguar share was justified by his responsibility to allow shareholders to consider a full bid. This came second only to his responsibility to consider the national ity to consider the national

Increasingly, however, the interests of the European Community were replacing the British national interest as the overiding criteria for assessing ownership, he said.
The BAe memorandum notes

six disadvantages with the golden share which limit the company's profile in overseas financial markets, suppress its share price and cloud strategic choices which might involve cross shareholdings with foreign defence contractors.

VSEL, the submarine manu facturer, said the Jaguar deci-sion had made it realise that its golden share would not nec-essarily protect it from foreign

takeover Most of the other privatised companies which submitted evidence said their golden shares made little difference to their business and were generally effective in limiting for-

#### Taurus saga ends Matsushita with stock market to link with **Edinburgh** system compromise company

By James Buxton, Scottish Correspondent

MATSUSHITA Electric Industrial, one of the world's leading electrical and electronic groups, is to pay £9.5m to form a partnership with Office Workstations, an Edin-burgh-based software company. Office Workstations (OWL), which had sales last year of £2.3m and employs 89 people, is a leading provider of software systems enabling computers to read and write electronic documents.

Under the agreement Matunder the agreement Mat-sushita, whose brand names include Panasonic, Technics and National, will purchase 62 per cent of the shares of OWL for £8m while maintaining it as an independent company under its existing manage-ment. It will also inject £1.5m to finance further expension.

ment. It will also inject £1.5m to finance further expansion.

It is likely to place substantial orders with OWL and will buy the remaining shares after fiva years. OWL was founded in 1984 by engineers who spun out of a former ICL plant near Edinburgh. It specialises in hypertext systems, which enable users to browse on computer screens through computer screens through very large amounts of text and graphics stored on compact discs. It has developed Guide, which it says is one of the leading hypertext systems for

use with personal computers. It envisages a rapidly expanding market for users such as lawyers and academics. Matsushita, which had 1989 sales of \$42bn, wants to use OWL's technology to develop products for the con-sumer electronics market. OWL's products also fit in with other Matsushita objec-

tives including developing office equipment and document management systems.

Mr Ian Ritchie, OWL's founder and managing direc-tor, said be believed OWL could become the research and development arm of Matsushita in Europe. The deal would strengthen OWL's engineering clout. Half its sales come from the US where it has an office near Seattle for sales and marketing, though its headquar-

last year but realised that it needed to find a larger partner

ters and research and development are in Edinburgh. It

forecasts turnover of £6.8m in

and European companies. OWL's investors are the Scottish Development Agency, Investors in Industry (3i), Syn-tech, a high technology invest-ment company and Candover Investments, the managem buyout specialists, as well as its own founders.

 Alan Cane writes, Aregon Group, a computer software company established under the aegis of the National Enterprise Board during the last British Labour government, is merging with Kapiti, another privately owned UK software house, to form a new organisa-tion also called Kapiti and speyesterday brought the go ahead for the London stock market's automated clearing and settlements system, Tau-

tem came at a meeting of the securities industry steering committee on Taurus yesterday morning.

The decision provided it wins the support of the wider City interest groups which have yet to see details of the plan - ends a saga of indecisiveness and mismanagement over the design for the system.

One big technology company commented recently that it had first been treated to a prehad first been treated to a pre-sentation on Taurus from the Stock Exchange in 1982. The Exchange had made further presentations as designs came and went, culminating in one this summer, yet even this was not the design which has now been adopted.

Asked after yesterday's meeting whether the latest ver-sion really is the one that will get built, one member of the committee said: "If this isn't it, God knows what is." A great deal of consultation had been carried out first, he said.

Approval for Taurus was Following this, there is only made possible after an likely to be renewed hagging eleventb - bour compromise

AFTER eight years of effort, built, rather than one. This was because no single system could be found which was flexi-ble enough to meet the con-cerns of all parties involved principally brokers, registrats

and listed companies. Under one system, clearing and settlement will remain exactly as at present, but with the paper removed from the system. Registrars will con-tinue to maintain listed compa-

tinue to maintain fisted compa-nies' share registers, while bro-kers will be faced with no greater responsibilities than they have at present.

Under the other, the sole record of shareholdings will be with brokers or others who opt to become what are known as "underlanated Taurus arcount in become what are known as "undesignated Taurus account controllers". To find out who owns their shares, listed companies will need to search through these records. A system, known as the listed companies access service, has been designed specifically for this task.

The committee which developed the latest design for Tau-rus hopes to gain support in principle by the end of March from those affected by it. It plans also to have carried out a cost-benefit analysis of its proposals by the same time. Following this, there is

as an attempt is made to allowhich effectively means that cate the development costs two parallel sytems will be among those involved.

# Survey says retailers reject irradiated food

TWELVE of Britain's biggest food retailers have decided food retailers have decided they will not stock irradiated food, the pressure groups Friends of the Earth and the London Food Commission claimed yesterday.

Their survey of retailers showed only one supermarket chain, J. Sainsbury, willing to sell the treated food if the cur-rent ban is lifted by the Cov-

rent ben is lifted by the Government's Food Bill, now in the House of Lords, The groups called on consumers to press the company to change its

Retailers which have rejected irradiction because of safety uncertainties, environ-mental concerns and lack of consumer demand, are: Adda, Budgens, Co-op, Gateway, Ice-land Foods, Littlewoods, Lon-dis, Marks and Spencer, Spar, Tesco, Waitrose, and Walter

Wilson. Fok's survey showed Kwik Save and Safeway still unde-

Mr. David Gee, FoE director-designate, said yesterday: "In rejecting food irradiation, these major retailers are showing a concern for the health and safety of their customers.

"If the Government ignores the overwhelming rejection of food irradiation by trade and public alike: consumers will

public alike; consumers will have no choice but to vote with their purses."

#### Population leaving cities

THE population drift is fall in 1987-88 was large continuing from the cities to the countryside and coast, according to the latest edition of Population Trends, the Office of Population Censuses

and Surveys quarterly journal.

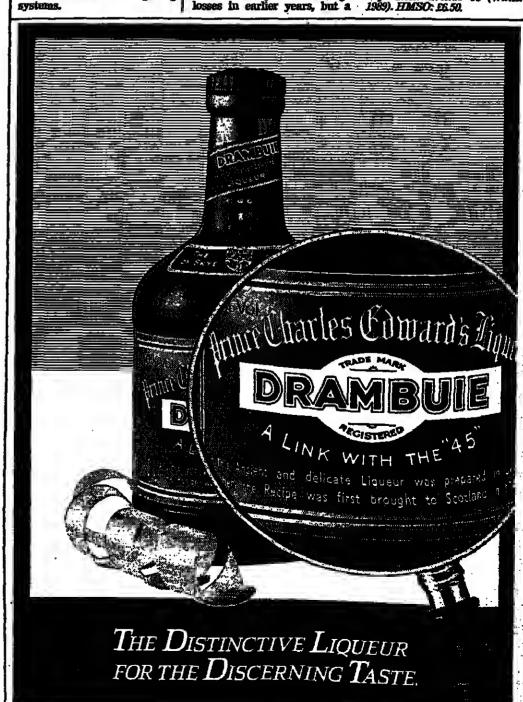
The overall number of peo-ple in the UK rose by 135,000 last year to 57.1m, but the populations of London and other

big cities fell.
"The population of Greater London has been relatively stable in recent years after large losses in earlier years, but a

to show an average annual loss of one per 1,000 during 1984-88 as a whole," it says.

In the same period, the population of Britain's principal cities fell by five per people per thousand and the metropolitan counties two per thousand.

Emigration in 1988 was 237,000, the second highest in the past 10 years and not emigration 21,000. Population Trends 58 (Winter



#### Charter opens chapter in workers' rights Labour says it is espousing the European Social Charter, Michael Cassell reports per cent of male median earnings, raising pay for around 4m people. The figure will ultimately be raised to two-thirds Thatcher says the Government must be allowed to decide Thatcher back from EC Commissioner whose remarks have been quoted in Strasbourg, pledging a step-by-step, rearguard fight against implementation of the support of both sides of the issue - to deny the Governwhich elements of any social programme are a matter for Community and national conof median earnings, though there are no promises about ment's claims. In response, she alleged "purposeful misrepre-sentation" on the part of UK European Community's Social The test, according to Mr Norman Fowler, the Employment Secretary, is the impact any charter will have on creating new jobs and cutting unemployment – a priority in the completion of the single market. Labour costs, ministers claim, will inewitably rise. Charter, the issue seems set to remain close to the centre of Mr Tony Blair, Labour's the Westminster debate over what type of Europe is best for employment spokesman, claims that the measure will Mr Blair admits that no one knows what the overall impact of the charter will be on unemhave "no serious effects" on Although Mrs Thatcher has ployment. He adds: "It is only the Government which espouses certainty about this. labour costs, a view he bases chosen not to maintain her portrayal of the planned packon the experience of other countries which have introage of workers' basic rights and standards as "a throwback The principal reason that I am in favour of the charter is not ters claim, will inevitably rise. to a marxist period," her oppo-sition to the detail of what is

Mrs Thatcher has already claimed that Labour's plans to

programme - will raise unemployment by 500,000 in three

implement a statutory minimum wage – a proposal not actually contained in the Social Charter's lengthy action

In the next election manifesto, Labour will promise a minimum wage starting at 50

duced such measures.

Ministers vehemently disagree and are also alleging that part-time jobs, principally involving women, will be par-ticularly vulnerable under the charter. They claim that young people will also lose out under any Brussels-imposed employ-

Mr Blair last week invoked the assistance of Mrs Vassou Papandeon - the responsible

because I am certain that it will create jobs in the long term. It is difficult to judge the balance of that."

But he says the spectre of massive job losses is "inherently unlikely," not least because many EC countries with excellent employment records have already imple-mented charter-type rights.

Labour may have its own reservations about aspects of plans for stepping up European integration - notably in the form of pre-conditions for full British membership of the European Monetary System and opposition to the next planned steps towards economic and monetary union - but on the Social Charter

there are no qualifications. Mr Blair says Labour will not "pick and choose" as Mrs Thatcher is trying to do and that it will sign up for the entire charter.

To Mr Blair, the charter is about looking ahead. It has, he insists, polemic importance for the party because it shows it "leading the charge" on workers' rights. To Mrs Thatcher, it is a charm towards unaccent. is a charge towards unacceptable uniformity and unemployment; the battle is only just beginning.



Michael Chow, restaurateur and architectural designer, Los Angeles. An aficionado of fine cuisine and fine art, Europe is his cherished source of inspiration. When he feels that sudden urge to take an idea from the Old World straight to a project site back home, Michael Chow has the perfect recipe: Swissair plus Delta Air Lines. A team with class.

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or years wealthy and would-be wealthy women have tripped along the Rue Faubourg St Honore in Paris and Fifth Avenue in New York laden with luggage bearing the tell-tale initials of

The Vuitton hag is instantly recognisable as a symbol of conspicuous consumption all over the world. The financial world knows it best for its role in the battle between Henri Racamier and Bernard Arnault, who are fighting over LVMH, the French luxury goods group which owns the

company.
While they have battled averywhere from the French courts to the pages of the financial press, a quiet revolu-tion has been wrought at Louis Vuitton.

Vuitton is one of the most profitable parts of the LVMH empire. Its husiness has boomed in the 1980s as sales of luxury goods - like its monogrammed Inggage — have soared But there is a danger of Louis Vuitton becoming too successful. Somehow it must strike a balance between con-tinuing to increase sales without jeopardising the exclusivthe periodic appeal of its products.

Three years ago it introduced cuir épi, its first new

range of products for years. From now onwards it intends slowly but steadily to bring out other collections in an attempt to appeal to the generation of young consumers who may see its monogrammed hags as a lit-Louis Vuitton traces its ori-

gins to the 1820s when its epon-ymous founder walked all the way from the provinces to Paris where he was apprenticed to a trunk maker. He made his name by packing the Empress Engénie's trunks without creasing her crino-

and the second

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leaving:

In the 1850s he opened his first factory to make canvas-covered trunks. The company made some as standard and others to specification. One was designed with a folding bed inside for Pierre Savorg-nan, the African explorer. Another was made for Charles Lindbergh, the aviator. When-ever wealthy Europeans boarded inxury liners to cruise around the Mediterranean or across the Atlantic, they were invariably accompanied by Louis Vuitton luggage.

Vuitton has been the name in luxury luggage ever since. But by the 1970s it was struggling to stay affoat as a small family firm with two shops and sales of FFr70m (245m). Henri

# Vuitton tries to keep exclusivity in the bag

Alice Rawsthorn on the luxury goods maker's design-led strategy



Racamier, the steel tycoon who had married a Vuitton heiress, was drafted in to succeed his mother-in-law and run the

ton's distribution by withdraw-ing its products from department stores - except those in the US - in favour of selling them through its own shops. His biggest coup was to develop the Japanese market. The streets of Tokyo and Osaka are now crammed with conspicuous consumers all car-

rying Vuitton bags.
Vuitton mustered turnover of FFr3.3hn last year, more than 80 per cent of which came from outside France. It now owns 140 shops, including "corner shops" in department stores all over the world. Louis Vuitton sells on an mashamed image of luxury. But one of the most important elements of luxury is exclusivity. The sheer profusion of monogrammed bags and the flood of cheap copies made by counterfeiters means that like other totems of conspicuous consumption, Rolez watches, or Porscha cars -Vultton is in danger of being seen as a symbol of the nouveaux riches, rather than the old money with which it was originally associated. There is no sign of a slowdown in sales of monogram-med bags. Sales are still soar-ing in Japan, which is now the company's biggest single mar-ket. A quarter of all Vuitton products was sold in Japan last ar and another quarter was sold to the Japanese travelling in other countries. And sales are also increasing in Europe.
Vuitton works hard to preserve its image of luxury and exclusivity. The production process at its French factories still highly skilled and labour-intensive. The suitcases

made at its original factory in Asnieres on the outskirts of Paris contain 800 nails all banged in by hand. Every year it devotes an amount equivalent to 2 per cent of turnover to stamping out counterfeiting. But as the company is well aware, there are some people who would never huy a monogrammed bag. Françoise Jollant-Kneehone, who arrived at Vuitton three years ago from the Georges Pompidou Centre in Paris where she was head of design, was once musted as design, was once quoted as saying that she would not have thought of buying a Vuitton bag before she joined the com-

There are some people who will never buy a monogram-med product," she says. "They do not want initials stuck over

Vuitton's solution is to use its skills in luxury luggage by bringing out new products for

duction of cuir èpi, a plain col-oured range of bags in etched leather with just one — very subtle — set of LV initials. Cuir èpi now provides 10 per cent of the company's sales. The aneess of cuir èpi encouraged Vuliton to consider introducing other new designs. Early in 1987 it brought in Jollant-Kneebone as its first direc-tor of design to revise the existing ranges and to work on new

different types of consumers. It started in 1986 with the intro-

She arrived to find a "design department" composed of one designer. "The company had been working on its original styles for so long that it really did not need designers," she says. Today she has a team of 29 people, including 4 designers and 11 craftsmen working on

One of the most important

parts of their work is to review

collections.

and revise the existing range. One project is to develop a new range of soft-topped mono-grammed suitcases. Jollant-Kneebone insists that the changes should not be dictated by fashion. "Vultton is not into fashion. When we put some-thing into the range it is there

The design team is also working on new collections. A new version of cuir epi - epi partielle, where the etched leather lades into a smooth finish — will be launched next year. It will also introduce a new range of dark green, cross-grained leather.

Buffalino, a new collection of travel bags, will come out too. These bags will be made in sturdy leather to complement cuir épi, which is too soft to be hurled on and off airport car-ousels. Initially buffalino will be made in brown, to match the monogrammed collection.
Vuitton has also already
diversified into new product sectors such as pens and watches, which are made by dedicated production units at other companies.

As Jollant-Kneebone admits. initially it was difficult for the company to adapt to the arrival of a new phenomenon like a design department. These difficulties were compounded, she says, by the fact that designers work "transversally", or across the company, by dealing with every depart-

The use of external designers, who work with the Vuitton team hy contributing "new ideas" to various projects, has also been difficult. Some designers saw themselves as "stars", she says, who simply dictated ideas to the company. She sees their role as collaborative, working alongside the internal designers and the craftsmen on long term pro-

One of the chief difficulties was that Vuitton's sales were rising so rapidly - by 30 to 40 per cent a year - that its fac-tories were already struggling simply to satisfy demand for the original ranges. This meant there was little capacity for new products. This problem has been resolved by creating special teams within the facto ries to work exclusively on the

Vuitton's objective is that the new designs should provide 25 per cent of its sales -against 10 per cent today -within three years. All the new collections are designed to occupy the same luxurious niche as its original products.
One of the chief challenges for
the future will be to ensure that the new designs do attract new consumers, rather than simply stealing sales from the traditional styles.

rantional styles,
Perhaps the toughest test of
all will come next year when a
new collection of dark green
leather goods will be introduced — bearing the tell-tale
initials of Louis Vuitton.

# Betting on a younger generation

offset, however, hy the cover-age of racing and betting in most of the national daily

newspapers and on television; though until 1986 the betting

shop remained the only place where it was against the law to watch television.

yielded to their lobbying and to more relaxed social atti-

Philip Rawstorne on the aims of Ladbroke's latest campaign

ome £6bn will be gambled this year in the UK's 10,000 betting shops - a 50 per cent increase since

Off-course betting is hig business, as leisure group Brent Walker's recent £685m purchase of the William Hill/ Mecca chain of 1,500 shops

The betting boom is also good news for the Treasury which last year extracted £417m in duty from the £5.2bn off-course betting turnover, more than double the pre-tax profits of the entire bookmak-

ing industry.
If not yet an essential part of the British way of life, off-course betting is certainly playing a larger role in the public's leisure.

When Ladbroke, the UK'a when inderoke, the UA's biggest betting shop operator, researched the market in the early 1980s, it found a gambling clientele that was ageing and declining in numbers. Now the 4m regular gamblers include a growing proportion of young, up-market punters who look on a finter as fun rather than a cerious way of rather than a serious way of trying to make money.

Ladbroke this week launched a £3m advertising campaign designed - hy Saatchi & Saatchi - to encour-age this trend and to try and secure a greater share of a growing market than its com-

petitors. The trend owes little so far to traditional advertising and marketing. The 1960s legislation not only restricted the number of licensed betting offices hnt imposed severe legal constraints on advertis-ing their operations. Book-makers cannot advertise the address of a betting shop in a

But as the big booksnakers began to dominate the industry – reducing the number of betting shops in the process from around 16,000 in 1966 – the Government finally

Live coverage

In 1986, it allowed television into the shops, and soft drinks and light refreshments as well. The change in the law led not only to betting shops showing racing transmitted live by the BBC and ITV, but to the development of a customised video service of live horse and greyhound racing delivered directly by satellite. Satellite Racing, or SIS, set up by the bookmakers bas

en one of the principal generators of the growth in off-course betting turnover. It now brings live races to bet-ting shops from Hong Kong as well as British tracks, and transmits sound commentaries as far afield as Barbados and Sri Lanka.

Other changes have made betting more convenient and entertaining. Ladbroke, which had largely confined its advertising to listing ante-post prices in the racing press, has

newspaper, or advertise their products in the shop window.
They must not allow people outside the shop to see what is going on inside.
Such restrictions have been lar up-dated betting information information information information information. tion on sports events from snooker to golf are also shown on ITV's Oracle teletext.

And in the past three years, Ladhroke has spent \$20m improving its betting shop fur-nishings and facilities, though it admits they are generally still below the standards that are likely to be demanded in the 1990s.

"A lot of new people are coming into the market place," says Colin Walker, Ladbroke's marketing director, "and they are very different from the tra-ditional image of the older, regular gambier, seriously studying the racing form to pick a four-horse bet.

"The newcomers bet to add zest and excitement to their interest in many different sports. It gives them a greater sense of involvement to wager on the winner of a golf tourna-ment or who scores the first goal in a football match. Their attitude to betting is that it is nice to win but losing is not

the end of the world."

National posters and press
advertising will seek to associate Ladhroke with the fun and excitement. "Bet it's more exciting" will be the constant theme of the advertising which will cover several sports including horse-racing, soccer ("it will feel like a whole new ball game.."), and American football ("Bet your bottom dol-

With more and more sport on more and more television channels, our business can provide an added flavour," says Walker.

#### Marketing abstracts

Hewlett-Packard marketing. L O'Driscoll in Direct Response (UK), May 89 (3

pages) Essentially an interview with H.P's UK market develop-ment manager, this traces the development of direct marketing from an unco-ordinated state in 1985 through to the introduction of a customer information centre which provides all direct marketing

activities as well as sales leads. Looks at how this centre links with telesales and the sales force in creating a "closed loop marketing information sys-tem" and in establishing greater efficiency (from an estimated 75 per cent of leads thrown away, as they were thought - by the salespeople - to be a waste of time, this is now down to 10 per cent). The making of a new corporate image. C Cajet in The Journal of Business Strategy (US), May

Jun 89 (3 pages) Examines the importance of

corporate identity as the most visible element of corporate strategy, and gives examples of US companies who have changed their identity (and name) to reflect changes in their original mission - such as American Can (diversified congiomerate), which dropped the name and became Primerica; gives advice on image reshaping.

These abstracts are condensed from the abstracting journals published by Ander Management Publishedows. Licensed capies of the original stricks may be obtained at a cost of 25 each (including VAT and p + p; cash usthorder from Ander, & Toller Lane, Breathed, Fest Yorkshire BDS 9BY.

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VI

#### **TECHNOLOGY**

The day when computer users will be able to their native language and receive a spoken reply is advancing more rapidly than anyone could have predicted, Computers can already be taught to recognise individual .

words from a variety of speakers with more than 99 per cent accuracy. The real test, however, is to create a computer system that can recognise contiguous speech - complete, uninterrupted sentences.

Pol Hauspie, co-founder of Lernout and Hauspie, a small Belgian company that is rap-idly making a name for itself in speech products, believes such an advance is only five to seven years off. "And maybe faster, we continually underestimate the speed of technologi-cal advance," he says.

Computer systems have been built that will recognise up to 60,000 individual words. They are used, for example, in "intelligent" typewriters that turn speech into printed text. But the words have to be presented separately and the system has to be "taught" to recognise a particular speaker's voice. Technically, anch a system compares the voice pattern of a spoken word presented to it with samples stored in its

To move within a few years from such a comparatively modest attainment to some thing that seems closer to science fiction would be a spec-tacular tachnical and

What is giving computer speech researchers the confidence that it will happen, however, is rapid advances in two important technologies.

First, the new commercial availability of rewritable (read-and-write) optical disk drives provides the enormous capacity neaded for digital epeech storage. These drives are available from a number of Japanese suppliers including

Ricoh/Olympus and Sony. Lernout and Hauspie, for example, uses drives built by Ricoh. Models which will be available early next year will be able to store 28,000 hours of speech in a floor-standing "jukebox" of optical disks

Second, new kinds of computer software are available which analyse speech patterns in more profound and centextual ways than earlier comparative techniques. The compara-tive approach has been set aside in favour of analysis of the sounds "heard" hy the sys-

Lernout and Hauspie have in Europe have made impres-

Alan Cane says the multilingual system that will respond to continuous speech is not far off

# Computer with a good line in chat

CKAY, WHO TAUGHT THE TALKING COMPUTER THAT WORD?



ROLL BELLE

developed a system which will accept typewritten speech in a number of languages and out-put a comprehensible spoken sentence. Such techniques take national and regional variations into account. Imagine, for example, typing in French the sentence "Stop in the name of the Law" into the Lernout machine. In French speaking mode, it will repeat the sentence perfectly comprehensitence perfectly comprehensi-

Now type the same sentence in English. The response will be comprehensible but it will sound exactly like Peter Sellers doing his Inspector Clousean impersonation. The system, which has no knowledge of the meaning of the words, simply tries to pronounce them like a French-speaker, following the

Many of the world's major laboratories recognise the sig-nificance of developing speech recognition and generation as a channel of communication between man and machine. AT&T's Bell Labs and IBM's laboratories both in the US and

sive contributions, as has the Joint Speech Research Unit in research in these areas, but its chief strength is the way it

Three principal areas of investigation are common to Digitisation of speech. Turn-

ing the sentence into the computer language of 0s and 1s -and storing it in such a form that it can easily be retrieved. Conversion of written text into audible speech. Everybody is familiar with the unnaturally harsh and metallic examples of digitised voice available today; Hauspie believes that natural tones will be possible within months.

 Speech recognition. This is the most difficult area. It is divided into speaker-dependent recognition - the use of a password spoken by a particuar individual for access control, for example - and speaker-independent recognition, whereby anyone could dictate a letter to a personal computer in any language

Lernout & Hauspie, a tiny hnt fast-growing company based in leper in the Flanders region, carries ont original In many stock markets, for example, it is now mandatory

to record all transactions between dealers using multitrack tape recorders. The problem is the time taken to search for any single transaction in hours of recording tape. The Lernout & Hauspie call logging "Digilog" system can store up to 7,000 hours of continuous speech on optical disks and use fuzzy" search techniques to find any single conversation within minutes.

A hands free car telephone system is available which is controlled by a set of simple commands. What makes this system special is that it oper ates efficiently even against background noises - radio and heater fans running - that make ordinary conversation

Among other offerings are a telephone banking system, a joh information system and a market research system Founded at the end of 1987, the company this year won the Flanders Technology International Award for innovation and is building an interna-

tional customer list including the Belgian hanks BAC and

Argenta, Group 4 Securitas and Deutsche Mailbox of West Ger-The firm was founded by Jo Lernout who worked in Belgium for the US minicomputer manufacturer Wang, and Haus nie, whose earlier activities included accountancy and software. Starting with BFr12m (£200,000) of their own capital. tha company's capital base was strengthened to BFr62m in 1989

from the venture capital firms GIMV. VIV and Benevent It has a five-year strategy which begins with call logging and voice mail applications and moves on to hands free systems such as the in-car telephone and voice dictation Finally it will develop stand alone voice input/output mod ules for which it can sell

licences to other manufactur-

through a BFr50m investmen

But if the future looks brigh for speech products, there are still many research problems for Lernout & Hauspie's university-based collaborators: "There are problems that we cannot resolve," Bauspie says. "Such as the tonal languages like Chinese and Thai." A word in these languages may have several meanings depending on its pitch. And computers, despite instruction from Italian tenors, are tone deaf.

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assisted voice storage system which is already being used in banks, dealing rooms and by

LONDON'S black text cabs could be turning green, with plans to convert the vehicles to run on natural gas as well as on diesel fuel.

store the gas under pressure. The natural gas, which cuts

or other diesel-powered mai way. Diesel-driven bo don, part of Datacab, is to ote the technology in

**Temperatures** 

SHOPKEEPERS, eager to con vince their customers that their chilled or frozen food nology to prove the point. They are installing a sys-tem which monitors the tem

nets or freezers, but which instead, a tiny low-powered radio transmitter is combined

to a central alarm unit. from Radio Data Syst

Water detector gets into the flow

Sweden is helping to bring the black art of discovering underground water into the

Natural gas travels by cab

A technology developed by AFS international, of Calgary, enables diesel-powere vehicles, such as London's 17.000 black cabs, to switch to natural gas for about 95 per cent of their fuel needs. (Diesel is still needed as a pilot tuel.)

The add-on unit requires no modifications to the diesel engine, aithough high-speed electronic valves have to be added to metre and deliver gas to each cylinder. A sec and feel tank is required to

down on exhaust pollutants, could eventually be piped to service stations, so that taxis, vehicles, such as lorries or buses, could fill up in the noror barges could also use the system. Computab, of Lon-

turn on the radio

is safe, are turning to radio. as well as refrigeration tech-

perature of food held in cabidoes not need mains electric-

with a sensor to warn when the temperature falls below e specified level. The trans-The radio telemetry system

of London, can be eliached to devices other than temper ature sensors - to month the workings of a pump, for

The portable device, called ers developments in biotechthe Wedl, works by measuring

the very low frequency zadio waves which travel over the surface of the earth. These waves are affected by the nd comp the rocks. Changes octar when the hand-held measur-

ing device passes over water-bearing structures.
The changes are reveals on a graphical display, which the manufacturers, Abem, of Stockholm, say can be

interpreted by people with limited geological expertise As well as replacing the dowsing rod for discove underground water, the Wadi metals, as electrically condu tive ores also change the paitern of the radio waves.

#### Standards must be maintained

ON the face of it standards But for companies installing computer networks the devel-opment of common standards will result in a greater choice of hardware and software and in chesper products. To help achieve that alm,

the world's three largest open standards technical bodies have got together to pool their knowledge and come up with a set of common tech-nical standards against which all equipment can be tested.

The three bodies, Cos of the US, Post of Japan and Spag, which represents Euro pean computer manufacturers, have agreed to set up CPS-Forum to promote this standards harm

CPS-Forum will meet twice a year, and will collaborate on the development of test es well as the standards

#### The cream of the technology crop

FINDING information on the latest scientific and techno-logical developments is no

easy task. For that reason Technical insights, the New Jersey information and published company, has set up a data-base covering the most significant technical developments of the past 12 months.

The TechBase Informatio is stored on a floppy disk and ordered into soloo between 100 and 200 words long, describing each new development and its lovering There are three disks available. A general database cov-

Contacte: APS: Canada, 403 292 1853. Companist: London, 727 0378. Fadio Data Systems: London, 542 1037. Abson: Sweden, 8 798 8050. Cos: US, 703 203 2755. Poel: Japan, 3 433 1941. Spag: Seigham, 2 536 9599. Technics ineighte: US, 391 368 4744. Frunkle: US, 212 406 5760. Venture Marketing

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441

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"packages" the work of others
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in the universities of Ghent,

"We are in the business of peripherals," says Bart Ver-

haeghe, director of marketing and sales. "We provide alterna-

tives to conventional key-

boards and conventional dis-

olays. We make computers talk

and we make them understand

distinct advantage, Verhaughe insists, is in its situation in

Belgium at the centre of a poly-

glot community: "There are quite a number of software

packages for purely Anglo-phone usage but very few which are multilingual," and

its broad mix of computer sci-

entists and language specialists: "When we developed Ital-

ian versions of our digitises

voice response system, we had to teach the computer to sing."

illustrates the new potential of

speech products. It has devel-

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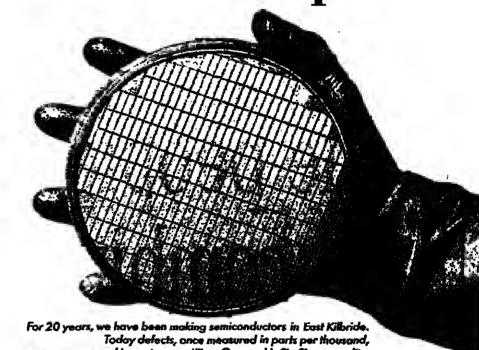
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**BUSINESS LAW** 

# Costs of the United States ban on the Panama flag

By Struan Robertson

THE US has always been sensitive about flags, particu-larly its own, so it should come as little surprise that, having decided not to intervene directly in the recent Panamanian coup attempt, it now chooses the Panamanian flag as a means of indirect attack

on the Noriega regime. The proposed ban on the entry into US ports of Panamanian flag ships is intended to force a flight by the world's shipowners from the Panamanian flag, thereby cutting off a substantial source of direct revenue to the Panamanian Government. The revenue is the tax levied by the Panamaman Government on first reg-istration and subsequent annual renewal as a Panama-

nian flag ship.

The White House also implies that to fly the Panamanian flag involves payment of millions of dollars in the form of bribes and kickbacks which find their way to the Noriega faction. The views and intentions expressed by the US Administration suggest that it may not be fully abreast of international shipping develop-

Every ship flies the flag of one state or another as a means of attaching a national-ity to it. That nationality may give protection, as when oil tankers caught up in the Iran-Iraq war switched to the British flag to join convoys

escorted by British warships in the Gulf. It also ensures the imposition of standards of safety and law and order on a

The fundamental reason for the growth of flags of conve-nience was the high operating costs in the shipowner's own country, represented by union-controlled labour rates and a liability to domestic taxation. The move had little or nothing to do with escape from proper safety standards, because most established maritime nations and the flags of convenience adopted the same international

The growth in flag-of-converine growth in flag-of-convenience tomage has, over the last 20 years, assisted the development of a relatively new concept, namely, that the right of a ship to fly the flag of a state can be distinguished from the right of that the from the right of that ship to be registered in a particular stete. This distinction could cause the US as severe a head-ache as the ban is likely to cause some shipowners.

Panamanian registered ships can suspend their Panamanian registry and, on a temporary basis, ily the flag of a number of alternative states, such as Cyprus, Vanuatn and the Bahamas. The concept, often termed "bareboat charter registry," because it usually involves a bareboat charter of the ship to a foreign entity, was given international recognition by the UN in 1986.

Imagine, therefore, the owner of a Panamanian regis-tered ship facing a ban on US port entry. He contracts a bareboat charter to a Liberian associated company, fills out more forms and pays more fees. His right to fly the Panamanian flag is withdrawn and a tempo-rary right to fly the Liberian flag is granted. Will the US extend its ban to the new Lib-

erian flag ship? Strictly speaking it should, if it is to give the new regulations credibility. After all, the Norlega regime is still collect-ing registration fees for that ship, despite the temporary withdrawal of the right for it to

fly the Panamanian flag.

A little history may help to expose the dilemma the US faces. The Second World War left West Germany with a par-ticular problem: it had a very small merchant fleet and little money with which to replace it. The 1951 German Law of the Fiag Act enabled expropriated ahips to be chartered back from abroad for operation under the flag of the Federal

The need to bareboat in tonnage in 1951 has been replaced by the desire to bareboat out, primarily to Panama and the Philippines. Hence the US could face the double embarrassment of a ban on German registered vessels which may be flying the Panamanian flag as well as a ban on Panama-nian registered vessels which may be flying the German flag.

If the US has a potential problem, the international shipping community has an immediate one. One benefit of Panamanian registration has hitherto been that Panamanian nationality for the owner is not a pre-requisite. Following the 1988 amendment to the British Merchant Shipping Acts one can now even have a British-

owned Panamanian ship.

There has so far been no indication that the ban will extend to ships that are owned by Panamanian corporations but registered and flagged elsewhere. Maybe the White House has noted that the Panamanian Government makes far less out of a Panamanian registered corporation than it does out of Panamanian registered ship. The problem, therefore, is a change of flag or registry rather than a change of owner-

If the shipowner decides to change registry rather than effect a sale of the ship, he is assisted by the competitiveness of the various flags of conve-

In clear contemplation of the ban, the New York based Liberian registry has dramatically cut its initial registration fees and offered a number of other concessions to assist owners. It is likely to be a major benefi-ciary of any departure from the Panamanian registry. If the change of registry can be implemented without too much difficulty, the owner still faces the problem of ensuring his crew's qualifications will

manian flag ship to enter a US port the charterer cannot order it to do so. The problem then becomes the charterer's and. satisfy his new registry. It is likely he will also need to restructure his finance: at the least, a new ship mortgage will One reason for the growth of

the bareboat charter registries has been the ability of ships to fly flags that considerably enhance their trading potential, whilst remaining owned and registered in territories where, one might say, the shipowner and his banker felt more comfortable. Many Panamanian ships

have, for this reason, found their way to the Philippines bareboat charter registry. Disregarding the latest attempted coup there, it will still not be easy for an owner to switch from a Panamanian-registered/ Philippine-flagged vessel to, say, a Liberian registered/Phil-ippine-flagged vessel.

Employment may also be affected. Most charterparties nominate a specific flag to be flown. If the owner wished to change that flag, he would have to obtain the charterers' consent, something which would not necessarily be freely

Such changes would cause great trouble to many shipowners. Cost is another matter.

a flag.

The author is a pariner of City solicitors Sinclair Roche &

There is an argument that where the ship is chartered,

the charterer can only give the ship's master lawful orders. As

it will be unlawful for a Pana-

given that many ships that

trade to the US are chartered

by US corporations, the US Administration's actions may

have a domestic cost approach-

ing the revenues lost to the

Noriega regime, Undoubtedly the ban will be

lifted at some stage, but not before a vast amount of money

and time has been wasted by those whose connection with

Panama is tenuous and whose

interest in the war the White House is waging, minimal
The shipping industry is
highly vulnerable to damage
caused by unilateral govern-

mental action and shipowners

will be considering carefully what steps to take to protect

their own independence. They
may come to the view that
what is happening to Panamanian flag ships today would
happen to other countries that

fall out of favour with the US

and who are not strong enough to retaliate. Obviously there is

more to being independent than having a war, a debt and

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#### COOK-CHILLED FOODS.

Today, however, there seems to be some concern about the ability of microwave ovens to re-heat cook-chilled

So just what are the facts?

Following preliminary tests last summer, the Minister for Agriculture, John Gummer, ordered an in-depth study into the performance of microwave ovens when re-heating pre-cooked chilled foods.

Various microwave ovens were chosen at random by the AFRC Institute of Food Research and sent to their Bristol laboratory for testing.

The two Brother models chosen were in actual fact combination ovens, but were tested using 'microwave' only.

Food was placed directly on the combination cookers are perfectly safe turntable and heated and at no time was

the food stirred, contrary to the user

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was 70°c and the Brother machines

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conditions exactly, but following our

used with the insulating mat placed on

the turntable, not only achieved a

temperature of 70°c but exceeded it by a

distance, in fact it reached 90°c and above. (Insulating Mat supplied as standard

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when used together with the following

a good helping of common sense. ■ When re-heating cook-chilled foods on 'microwave only' mode use the insulating mat on the

turntable. This allows microwave energy to distribute evenly throughout the food.

In short, all Brother microwaves and

■ The food manufacturer's cooking time should be used as a guide only. If, when the stated cooking time has expired, the food isn't piping hot, return it to the oven and cook it until it is. In much the same manner as you would when cooking with a conventional oven.

■ Always stir food regularly, particularly sauces and casseroles.

■ Standing time is very important, it is part of the cooking process and also allows an even temperature throughout the food.

A few simple rules of thumb, but tremendously important.

Brother have a definitive guide to reheating pre-cooked chilled foods which will dispel any fears you may still have. Call the Brother hotline 061 330 6531, or write to Dept. M, Brother Domestic Appliance Division, Jones + Brother, Shepley Street, Audenshaw,

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HOTICES

13

Everding's 1969 Bayreuth Dutchman was the first non-Wieland or Wolfgang production there since Hartmann's Meistersinger in 1951. He has now staged the Dutchman for the Met, as the season's third new production, in sets by Hans Schavernoch. In Act 1, a grey liner represented only by her hull, towering np out of sight into the flies — is pushed on from the wings and stops just short of ramming a grey tramp steamer. A large Meccano ladder swings down from above and from it, not on land but precariously perched, the Dutchman delivers "Die Frist ist um." In Act 2, women sew catle by hand with a few sails by hand, with a few primitive sewing machines to summ and brumm, electric lights. (Details are realistic, out the period is vague; the liner's searchlight beams are powerful and modern.) Act 3 is like Act 1, with dockside replacing the tramp. There is a fine coup de theatre when the huge hull becomes transparent, to reveal deck upon deck of cells imprisoning tortured souls. The ship finally disappears behind a giant swirl of snow flurries, white As in earlier Met

productions (Lohengrin and Khovanshchina), Everding has avoided picturesqueness, attractiveness, and romance, and this seems a pity in Wagner's "romantic opera," which can still be theatrically exciting both in traditional and in "psychological" stagings. Senta unbecomingly mimed an orgasm, rubbing her thighs and twitching, during Erik's dream narration but that was an isolated Senta's Dream (as so often it is), or the Steersman's Dream CANALE (as it was in the last Met production, by Ponnelle); but what exactly it is - beyond

a large, stern, grey enactmen of the legend (no blood-red salls") — was unclear. The individual energy were stock, not striking.

James Morris's Dutchman we grandly sung but lacked personality. Mechthild

Gessendorf, the Senta, seems a thoroughly. James Morris's Dutchman was sometimes a thoroughly worthy, reliable "house soprano," and sometimes a screamer. Gary Lakes — got up as bulky Tyrolean tourist was miscast in the " " " Italianate role of Erik. The

piece was played without intervals but also without
dramatic impetus: Words to
describe James Levine's
conducting are enthusiastic
heavy; noisy, slow (often), and
perhaps vulgar. The brasses intervals but also without brayed out, the drams were banged, the strings were the singers. Ob. Levine does have merits, it is true, but he makes no attempt to keep the orchestra down — quite the reverse. He never produces the kind of full but not overheated support that can encourage singers to sing the louder passages beautifully,— rather than as competitors: More! more! is what he fails to his band. I would not have been surprised if in the final been surprises in in the trio the singers had simply kept their mouths shal; only by farcing could they hope

to be audible at all.
Things may get better. We always say this after Levine first nights – and sometimes they do. And on his Wagner records the horrid balance we heard in the house gets adjusted. But be conducted this Dutchman as if unaware that Eva Marton had long since withdrawn from the cast

Andrew Porter

# Go mad across Manhattan

liver is a cat, the Artful Dodger is a dog, London is New York. And that whirring sound yon hear may be Charles Dickens revolving in his grave.

With the arrival of the all-singing, all-dencing, nearly-all-animal animated feature Oliver And Company, no further indignity can surely be visited on Dickens's novel of crime and orphanhood. Here is a 70-minute cartoon that has cats Dickens's novel of crime and orphanhood. Here is a 70-minute cartoon that has cats and dogs playing Fagin's gang, Bill Sykes transformed into a hleated racketeer putting the squeeze on the terrified Jew, and the voices of Bette Midler, Dom DeLuise and other comic heavyweights bunged in for good measure. But wait. Let us not wince prematurely. Oliver And Company proves surprisingly jolly. Vanonishing early fears of Disneyesone

Vanquishing early fears of Disneyesque debasement or sentimentality - "Oliver" debasement or sentimentality — "Oliver" is introduced as a ginger kitten whose big round eyes threaten frequent irrigation — it skitters along from song to song, sketch to sketch, like the bouncing ball atop a follow-along lyric. Best production number of all: the Dodger's "I got street savoir faire," sung during a demented rampage across Manhattan. This is thoroughly good for you, and so is the sharp artwork thronghout of the animators under director George Scribner.

throughout of the animators under director George Scribner.

In the cast the ace kleptomaniac is "Tito." Voiced by Cheech Marin, he is a tiny, insane, scene-stealing chihuahua. His Hispanic catch-phrases — "Hey, man, check eet o-u-t!" — and his yappy, stick-legged mobility are the ingredients for a star in the making. If Disney keep to their vow of making one animated feature a year their latest. The Little Mermoid, is a year (their latest, The Little Mermoid, is already out in America), Tito must repeat, must - return.

In the cinema, Christmas 1989 has clearly been designated "Go mad across Manbattan" season. In *The Dream Team*, four mental-home patients (Michael Keaton, Peter Boyle, Christopher Lloyd, Stepben Furst) cut loose from their supervisor during a trip into town. They have merry adventures. Then they have more merry adventures. They seem unable to stop having merry adventures, even though the audience is looking at its collective watch wondering how much more merriment it can take.

Written by Jon Connoly and David Loucka and directed by Howard Zieff (Hollywood Cowboy), the movie is strangely unfunny and in bad taste to boot. Poking fun at the mentally disturbed "Ah, it's great to be young and insane!"
 breathes Keaton, as the foursome hit the streets — is not the most advanced form of behaviour. Nor is it a bottomless source of humour, Once each character's comic visiting card has been pushed down our throats – Boyle is a religious zealot, Lloyd is a tidiness freak and so on – we sit trapped in our seats, knowing we are in 90 minutes of mocking the afflicted.

The movie's belated moral, that the

BARBICAN HALL

Condide used to be talked of

like buried treasure. In the

1980s, it has been brought back

to the light. Surely always a prime candidate for crossover

treatment, it received a concert

The composer conducted the London Symphony Orchestra and Chorus, Jerry Hadley was Candide, and four others of the

cast were very big stars whose

paths cannot often cross -

June Anderson (Cunégonde); Christa Ludwig (Old Lady),

Nicolai Gedda (in the three roles of Goveruor, Vanderdendur and Ragotski)

and Adolph Green (Pangloss and Martin). Kurt Ollmann was Maximilian and Captain,

Della Joues was Paquette. Name-dropping is half the fun

of crossover.

Another valuable ingredient

is having a special text of the work. This concert version

employs a narrative prepared

performance on Tuesday night

their sanity, merely adds a bogus insight to bona-fide injury. Next stop, no doubt, "Dream Team 2 Four Paraplegics Have

Jean-Jacques Beineix's Roselyne Et Les Lions is a lush French folly from the director of Dizz. An hour into this tale of a boy and girl (Isabelle Pasco and Gerard Sandoz) who want to be lion-tamers, and whose precocious skills get them into a crack international circus based in Munich (cue German co-production money for movie), we yield to its crazy charm. Small pools of sweat form on our hands whenever the lions threaten to run amok (Frequently.) Small pools of pleasure form in our eyes whenever Beineix takes a film already over the top into the higher reaches of melodrama.

> OLIVER AND COMPANY George Scribner

> > DREAM TEAM Howard Zieff

ROSELYNE ET LES LIONS Jean-Jacques Beineix

We especially enjoy the whiskered, Bavarian trousered circus boss peering down from his picture-windowed cyric above the training arena. (We soon realise he is the villain and hiss him.) And we crow with pleasure and incredulity at a climax involving - all in the same cage a semi-nude heroine, a figure of Death, three ravening lions and lashings of studio

Now that Beineix has been released from his role as the white hope of French art cinema, a role inexplicably conferred on him by some critics after the opulently vapid Divo, he may come to be French cinema's most rousing teller of tall stories. This one is certainly tall, and tolerably rousing as well.

Bookshops offer a frightening spectacle at Christmas-time. The entire sum of human knowledge appears to have fallen off the hack of a lorry and been gift-wrapped for sale. What should you, a film fan, buy your friends and family? Or indeed

Depending ou the strength of your coffee table, you should consider four blockbuster volumes. The Art Of Gone With The Wind (W.H.Allen, £17.95) is echolarship-with-pictures by Judy Camerou and Paul J. Christman: the genesis of the world's best-loved movie, full of memories and memorabilia, plus the odd well-preserved prank. I especially liked the fully-costumed production still of a "dying" Olivia de Havilland lying in bed reading Gons With The Wind (the book) while Vivien Leigh mons her brow.

Hyppood 50 Great Years (Prion, £19,95) group's encounter with reality restores is 550 pages of Tinseltown history, noting

it more.

in ber.

every major movie along the way. Lively illustrations; jaunty text by five writers; but a general sense of "Surely we have been here before?" Better and more businesslike is The Time Out Film Guide (Longman, £10.95): a "directory" of 9000 films culled from 20 years of reviewing by the London listings magazine. Excellent for reference, though once again the book lossing for for former. jostles for favour in an increasingly

crowded market.

Clive Hirschhorn's The Columbia Story Crive Hischitorn's The Columbia Story (Pyramid, £19.85) escorts us through 65 years of the studio run by the lady with the torch. (Only Hollywood could create a goddess half way between the Statue of Liberty and a theatre usherette.) Here are 400 pages packed with information, erudition and illustration. But be warned, if you are austrity-shy, the nictures are

erudition and illustration. But be warned, if you are austerity-shy: the pictures are all in black and white.

After facts, gossip. No Christmas is complete without scandalmongering, and we shall not stand in your way if you rush out to buy Shaun Considine's Bette And Joan: The Divine Feud (Muller, £16.95) or David Stenn's Clara Bow: Runnin' Wild (Ebury Press, £16.95). The first chronicles a history of spats and bitcherles involving two of Hollywood's grandest derives. The two of Hollywood's grandest dames. The second presents the silent star Miss Bow, alias the "It" girl, as a sexual delinquent who played musical beds with almost every man in Hollywood. Poor Miss Bow: she is no longer alive to say nay. She can only succumb to yet another kiss and tell biography, in which the subject kisses and the author (a safe period after her death)

Falling from a gentler height into the ocean of gossip are two more deep-sea divas. Margaret Lockwood in Hilton Tims' Once A Wicked Lody (Virgin, £12.95) and Rita Hayworth in Barbara Leaming's If This Was Happiness (Weidenfeld & Nicolson, £14.95) are both examined with e mixture of sympathy and scholarship. If Hayworth's life was the more dramatic from Hollywood's suzvest sex symbol she became Alzheimer's saddest victim — Lockwood plays the "enigmatic" card to effect. We know this star of The Lady Vanishes and The Wicked Lady scarcely better at book's end than at its beginning But it is a measure of her carefully husbanded magnetism that we are still

Finally, outnumbered but unbowed, two serious-minded books on foreign cinema. Maya Turovskaya's Tarkovsky (Faber, Maya Turovskaya's Tarkobsky (Faber, £12.99) lays the great Russian director's films on the operating table and skilfully dissects, Required reading for any admirer of Andrei Roublev, Mirror and Stolker, And Thomas Elsaesser's New German Cinema (BFI/Macmillan) is the definitive account of a film movement that cave us of a film movement that gave us

Fassbinder, Herzog and Wenders: a movement that grew out of country whose cinema had died with Hitler and for a quarter-century had shown no signs of revival. It revived, spectacularly. And Elsaesser's book revives the revival.

Nigel Andrews

to catch every bit of her).

Candide became more lovable

just when watching her listen

to it, her pleasure evident. Her flair in pointing words, ber

ricb voice, her zest and

rellsh - these merits are an object-lessen in

crossover's possible gains.

This is a wonderful score. It

is virtually post-modern in its

abundance of historical references and its easy

modernity, and it's undeniably catchy. The archness with which the work tells its

tale of innocence abroad,

however, often palls. Bernstein wantsto be virtuoso

and simple, to eat his cake and ice it. And then he gives us "What's the Use," "Make Our Garden Grow," or half-a-dozen other numbers and, glory be, be being it.

he brings it off.

Real class.



Alex Jennings, Christine Kavanagh and Julie Peasgood

# The Liar

Jonathan Miller is back in business with this beautiful production of Corneille's Le Menteur (1643) in a new translation by Ranjit Bolt.

The play itself, though academically revered as a prequel to classic French comedy – Molère said that he could not have written Le Misanthrope without this example - and almost as well known in French classrooms as Le Cid, is a real surprise, a comedy of insolent insinuation by a young provincial lawyer, Dor-ante, determined to make his

mark in the new Paris.

Itself derived from a Spanish comedy of deception, La Verdad Sospechosa by Alarcon, Le Menteur has its own special freshness in the picture it paints of a volatile social scene invaded by an ambitious figure of energy and resource. There is no sense of the habitual social strategies that characterise Molière, and the idea of new frontiers and a fresh start is given dramatic dimension in Dorante's flights of fantasy by which people form their wrong impressions.

The other great thing is that, in improvising retrospectively his spectacular night of feast and fireworks, or the farcical bedroom antics which led to bedding a girl back home in Poitiers, Dorante is constrained by the double requirement of inventing a story and making it scan.

Alex Jennings does this quite brilliantly, allowing his self-inflicted inbroglio to prosper as one not just of lying, but of a great doggerel jam session. Ranjit Bolt follows the usual English practice of forgetting about the measured rhythmi-cal alexandrines of Corneille, which roll in like foam-topped waves, adopting the conven-tion of the light, flexible decasyllabic line. As a text, you cannot begin to compare It with the work of an experi-enced poet like Tony Harrison; the scansion is often only redeemed in performance, the rbymes haphazard, the really

good laughs a little scarce. But it does zip along and conveys the meaning of the play admi-Jennings's would-be cavalier sets out with idle intentions of womanising in the Tuileries and ends np stuck in a double-dating mix up with the simpering Lucrece (Julie Peasgood) and her friend, the more calculating Clarice (Christine Kavanagh), whose incensed fiance Alcippe (Simon Dormandy) stomps asininely around and challenges Dorante

to a duel, which Alcippe loses in spite of all his ludicrous

is by this time running on luck, fuelled merely by confi-dence and the casual manner in which he conveys this devious supremacy is a comic treat

of the first order. The awakening face of a greet public city, where the gentle grey 17th century costumes by Sue Willmington blend with the auditorium's own colour scheme, is also something of n dreamscope. Peter J Davison's design employs the geometric symme-tries of a De Chirico courtyard, one arcb still tilting towards completion, supported by a canvas flat.

The colonnade of the Place Royale is also suggested, and the light (designed by Paul Pyant) changes from a mid-day heat-haze to o crepuscular rlow for the night-time wooing.
The stage looks lovely, but
never precious; The mood is
light and supple, like the play.

A fine Miller innovotion is the wonderful playing by Des-mond Barrit of Dorante's incredulous valet as a blubbery Welshman, a trembling Leporello who saves his master's skin while really wanting to flay it; the flat surface of the play is here given a really funny and dynamic resonance.

Michael Coveney

# Thomas Hampson at the Wigmore

The Gods of Lieder-singing clearly vied with each other to shower gifts on Thomas Hampson: he is profusely supplied with both the essential ones (beautiful, freely produced lyric-baritone voice of wide com-Ten years ago, Bernstein's by Bernstein and John Wells performance which the Ludwig (I would twiddle knobs pass and dynamic range, intelligence, dramatic instinct), and the non-essential but very use-

ful ones (nohle physique, height, good looks). Considering all this, one may reasonably feel disappointed at the negative effect of his latest London recital. It was devoted entirely to Lleder - Schu-mann, Wolf. Mahler. It sat easily on the voice. It was delivered in Mr Hampson's excellently fluent, flexible German. And for most of its course very little happened: one sat listening to one compe-teutly shaped song after another, and waiting - largely in vain - for a "personal" mark from the singer, a note of ldentifying involvement, a

drop of interpretative blood.

He sang everything from the score — and, as ever, this posed a small but psychologically significant harrier between performer and audience. In the Schumann group, and in the less familiar items

of the Wolf, one wondered whether this could fairly be taken to suggest that Mr Hampson had conned them only recently. He was never exactly at a loss, or a losse end; but in particular Scbumann's "Märzveilchen" and "Muttertraum" hinted at a kind of superior singer's-autopilot, with gestures and details on loan from the International

Bank of Lieder-Interpretation. Much of the Wolf felt and sounded the same way: though the voice handled the intricacies and tapered phrase-shapes of "Phanomen" and "Ganymed" with notable aplomb, the Wolf spark was simply absent. It was no help that the pianist, Geoffrey Parsons, was on unusually clumsy form, heavy-lingered and erratic in

fast figuration; fortunately his

poise was recovered in time for Mahler. In this section of the programme likewise Mr Hamp-son's free, lyrical delivery brought greater rewards - his selection of Rückert songs closed with three of Mahler's slowest and most intensely felt creations, which successfully challenged him to show a keener involvement with musi-cal sense as well as sound.

But suddenly, in two encores Meyerbeer's "Komm du schönes Fischermädchen" and Schumann's "Stille Tranen" the floodgates of involvement opened. The voice poured out in passionate freedom, and Mr Hampson became at last the superb young Lieder-baritone he ought to have been a good deal earlier in the evening.

Max Loppert

## Neil Young

HAMMERSMITH ODEON

Welcome back, old hippy. The wheel has turned full circle and somehow the long haired guy cradling the guitar like a last whisky and hlowing beavily into his harp as be jurches around the stage looks like an original. Even the old blue jeans, with gaping boles at the knee caps, and the battered leather jacket, are some-how the last word.

Neil Young started out as a Dylan clone in Toronto well over 20 years ago. Nothing has changed except that, unlike Dylan, he keeps his hile on the boil, belting out with an amplified acoustic guitar more sound and fury than most electronic bands in bis tirades against political injustice, com-mercialism, and the ills of the

Unfortunately if Young is lit-tle changed so is the world. He dedicates "Ohio," about the Kent University shootings in 1970 with its poignant chorus "four dead in O-hi-o," to the Chinese students who defied the tanks in Tiananmen Square. As a constantly working survivor, with over 20 alhums released, with little regard to fashion, Young can be scathing about the business: be sends up artists who take the dollar of Coke and Pepsi to boost their incomes in the mordant "This note's for you."

It is perhaps a touch too "alternative," this 44 year old being loudly uninhibited on a vast Odeon stage, his roadles and the occasional backing musicians – "that's Poncho from Crazy Horse" – standing from Crazy Horse — standing in the shadows till needed. Young darts from plano to gui-tar, glorying in banter with a packed auditorium. "Speak up, punk" he shouts at the inevitable bore constantly crying "rock 'u' roll;" "Still flat," be growls at his guitar: "I've been lat for 25 years." In fact he has kept fizzing, and as his voice has deepened and his individualism boned, so Young has matured into a powerful, persuasive, performer, a giant of

**Antony Thorncroft** 

# **SALEROOM**

Despite the gloomy rumours from retail art dealers the wholesale market for Victorian pictures seems strong, judging by Sothehy's sale yesterday which totalled £1.2m with under 8 per cent unsold. These were mainstream, pictures, but European, American and Japa-nese bidding, added to local demand, kept prices way ahead of estimate.

Top price was the £62,700 naid for "Village Politicians" by William Shayer Snr, a scene of rustics disputing outside an inn, painted in 1897. It set a record for Sbayer and more

than doubled its top estimate. "Glasgow," a typical twilight scene by Atkinson Grimshaw made £44,000, and an equally typical hunting scene by Hey-wood Hardy doubled its fore-cast at £11,800. A pair of farmyard paintings of fowl by Edgar Hunt also doubled forecast at £40,700.

Sotheby's held its best ever sale of Berlin plaques, mainly mid-19th century paintings in porcelain of pictnresque women, totalled £741,620, with less than 10 per cent unsold.

**Antony Thorncroft** 

#### **ARTS GUIDE**

and reinstates a chorale omitted since the Lillian

Hellman 1956 original. "This

and the rearrangement of numbers in Act 2," says

Meirion Bowen's programme

note, "were simed at serving

Bernstein's intention in

bringing the work back as close to Voltaire as possible."

Was it then also in pursuit of Voltairean spirit that the

composer-conductor sang,

danced and stamped along on

the podium? No, this was just Lemne, the great showman. He also turned and spoke to the audience before (at length),

during and after the show. By turn, his words (a) invoked the Age of Enlightenment (b)

poked fun at his work (c) discussed it as a measured

response to Mcarthyism (d)

informed us that everyone concerned had been bravely weathering flu (e) told us we'd

marvellous.

#### **EXHIBITIONS**

London

The Hayward Gallery. The Other Story — an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tredition — week in its scriptor. tradition - weak in its socio-potradition — weak in its socio-po-litical and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays. The Barblean. A Golden Age — Art and Society in Hungary 1896-1914: in the light of the cur-pent ferment in Restrem Europe.

rent ferment in Eastern Europe, with Hungary very much in the van, it is salutary to be reminded just how active she was in the European cultural commonwealth. Daily until January 14 crosst Decomber 24 and 25. except December 24 and 25. National Portrait Gallery. Lewis Morley — Photographer of the Sixtles: a study of the work a photographer now all but forgot-ten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous of all. Until Jan 7.

Musée des Arts Decoratifs. Je suis le Cahler - Picasso's sketch-hooks. After two years of meanworse. After two years of mean-dering the world over, the exhibi-tion ends, spitly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picas-so's development. 107, Rus de Rivoli (42803214), closed Tus. Ends Dec 31.

Ends Dec 31.

Musée d'Art Moderne de la Ville de Paris. Kunka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from

Vienna-inspired symbolism to non-figurative canvases where glorious colons acquire a life glorious colons acquire a life of their own. 11 Avenus Presi-dent Wilson, closed Mon, ends Feb 25 (47236127). The Loavre. Arabesques et Jar-dins de Paradis. The beauty and richness of nature is a leitmotiv which true themost belamic art

andience greeted with

standing ovation, was being

video taped for future release

enjoyed much about it and could already Imagine

twiddling a few knobs to enjoy

Hadley was a personable,

steady Candide, expressively negotiating a post In frog. Gedda and Green, veterans who both could have sung in the 1956 première, gave game

performances of opposite types

Gedda the elegant high-art
men who sings down to his

material as charmingly as he can, Green the old all-rounder

who sings up to his material as

best as Anno Domini and technique will permit. June

Andersou's Cunegonde was coyly brilliant. "Glitter and be gay" brought the

house down. Her heavy scoops up into notes, clas, do much to diminish my pleasure

And there was Christe

which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40206317).

Europelis Japan 89: Musées Royauz d'Art et d'His-toire. Nambam Art explores the Portuguese influence oo Japa-nese painting and the Splendour of No Theatre shows props and costumes from the Rokuro Ume-waka Collection. Closed Mon. eds Dec 17. muse d'art Moderne Place Roy-ale. Takeo Yamaguchi and Yoshi-shige Saito, an exhibition of abstract art in Japan. Closed Monday, ends Dec 17.

#### Antwerp

Hessenhmis. 53 Falconrul. Japa-nese postem by 12 graphic designers. Closed Monday, ends Dec 17.

#### Madrid Fundacion Juan March. Betrospective of Edward Hopper opens the autumn season at the founda-tion, 61 works by the New York

realist covering a period of 56 years. Until Jan 4. Caixa de Barcelona. Raonl Dufy. Works by the French fauvist,

#### of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, wa colours, drawings, ceramics and fabric design, belonging to pri-vate collections and museums.

Alastair Macaulay

#### Hanover

Sprengel Museum, Kurt-Schiwit-ens-Platz. Der blaue Reiter (The Blue Horse). This museum is displaying around 51 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group.

Museum Ludwig, Bischofsgarten-strasse 1. The most comprehen-sive retrospective on Andy War-hol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11. Städtische Galerie im Lehmbach-

Cologne

haus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff painter Karl Schmidt Rotthus to date with almost 370 works. After the Kirchner and Heckel exhibitions, this is the third sig-nificant project from one of the founding members of the Brucke

#### Vienna

for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post war artists. and who recently had an exhibi-

## December 8-14

#### New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Medrid. Ends Jan 7. Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pio-neering Cubism consists of more than 350 works of the two artists during their fruitful collabora-tion before Braque left for war. Ends Jan 18.

#### National Gallery, Almost three

dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thys-sen-Bornetnisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends

#### Tokyo

Identitsu Museum. Flowers of Edo. Paintings and prints of flow-ers from the Edo Period repre-sent a new flowering in Japanese art, influenced by new trends in the decorative arts of China and by the botanical illustrations and by the botanical inistration of Europe. Closed Mondays. Telen Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naif, but in his last decade his palette was liberated and he produced e remarkable series of grotesque images of clowns and carnivals.

# VACHERON CONSTANTIN

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#### FINANCIAL TIMES

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# **Post-Reithian** broadcasting

IN BRITAIN, the avarage person watches television for 25% hours a week. This is equivalent to roughly 60 per cent of the estimated leisure time of the average employed adult. Like it or not, television plays a very significant role in national life. It moulds attitudes and influences the way people live. The reforms set out in the Broadcasting Bill thus constitute some of the most important legislation to be presented to Parliament in recent years.

In the past, relatively high standards have been achieved by limited competition between two tightly-regulated monopolies – the BBC, funded by the licence fee, and ITV, funded by advertising. The fact that each half of the "comfortable duopoly" had access to a secure revenue stream encouraged programme makers to compete on quality; there were, however, few incentives for efficiency. Such a regime could not be expected to endure indefinitely; technological change - the arrival of sat-ellite and cable TV and the channels – would have forced broadcasting reforms even if these were not considered desirable for political rea-

Under the Government's proposals, BBC1 and BBC2 will remain heavily regulated pro-viders of public service broad-casting while Channel 3 (for-merly ITV) and Channel 5 (the new terrestrial channel) will join satellite and cable TV in an expanded commercial sector snbject to "light-tonch" regulation by the new Independent Television Corporation. Channel 4, which will be non-profit-making, will hover some-where between the two sectors, retaining its remit to produce minority-interest programmes but having to compete for advertising revenue, in practice, this form of funding may constrain its ability to fulfil its public service obligations.

#### Ill-defined threshold

The biggest source of controversy is the proposed auctioning of Channel 3 and 5 licences. Inder present plans, appli-cants will have to meet an ill-defined quality threshold, which is likely to prove much less operous than the present programming requirements imposed on ITV companies. Once past this hurdle, the fran-chises will be awarded to the companies offering the highest cash hid. In theory, the ITC will be able to impose financial penalties on franchise-holders who renege on quality commit-

The Government argues that transparent, fair and cost-effective means of allocating a scarce resource. The procedu will certainly maximise the Treasury's receipts from broadcasting; the question is whether it will serve the best interests of viewers. The problem is that in commercial television there is no contract between programme makers and viewers, but rather a con-tract between franchise-holders and advertisers. Commercial TV sells audiences to advertisers rather than programmes to viewers. The auction will ensure that the companies likely to sell audiences most efficiently will gain the franchises. But these are not likely to be companies interested in producing a diverse range of challenging programmes.

#### Does not exist

One response is to argue that this does not matter the BBC and Channel 4, after all, will provide quality broadcasting. But the Government should recognise that the economic turnover of commercial TV (which is roughly equivalent to thet of Britain's 74th largest company) falls far short of its overall value to viewers. It thus makes no sense to lay greater emphasis on the max-imisation of Treasury receipts than on the promotion of qual-

ity.

Ministers are wrongly behaving as though a broadcasting market responsive to individual preferences already exists. It does not. For the forseeable future, the quality of broad-casting will be greatly influ-enced by the necessarily subjective decisions of regulators. In the interests of transparancy, bids for Channel 3 and 5 licences should be published. But the ITC should not be obliged to accept the highest bid provided it explains tha reasoning behind its decision. Competitive tendering is a useful exercise, but it is normal to strike a balance between cost and quality. This precedent should be followed in broad-

# Rallying the institutions

FOR THOSE WHO believe in liberal economics the Anglo-Saxon capital markets have always been something of an irritation. On the face of it, their apparent efficiency ought to provide a model for coun-tries with less well developed financial systems. Yet the per-formance of the industrialised countries in the post-war world suggests little or no correlation between financial sophistication and economic growth. Nor would anyone claim that the Britisb capital markets, with their excessiva reliance on takeovers, have been conspicu-ously successful in helping to arrest the decline of older

No doubt the alternative systems of West Germany and Japan have much to commend them. But few believe that they can be readily transplanted. Hence the attempt to find ways of making the existing British approach work bet-ter. A discussion paper from the Bank of England, which advocates a more active role for institutional shareholders,

falls into this category.
Since it was first mooted in the early 1970s, the case for institutional intervention to ginger up poor industrial management has, if anything, increased. Ownership has become even further concentrated in the hands of insuranca companies and pension funds and the growing practice of indexation has also had the side-effect of forcing institutions into longer-term holdings while rendering three-monthly investment performance fig-ures redundant.

#### Legal duties

The author of the Benk of England's paper, Mr Jonathan Charkham, argues that a more informed dialogue between institutions and companies is in the institutions' own interest. Collective influence could. he believes, be brought to bear more rapidly and the boards of major companies should be required to have a minimum proportion of independent directors with the same legal duties as executive directors.

All sensible enough. But whether such measures would be sufficient is another matter. Non-executive directors tend all too often to be friendly to incumbent management and the institutions' list of trusted tronhle-shooters is all too short. The merchant banks, who control a large chunk of pension fund money, have a greater incentive to market thair sarvices through short-term performance figures than by gingering up present or potential corporate finance

clients in industry.

Perhapa the chain of accountability could be made more effective through more disclosure of directors' ages and qualifications. And responsible gingering could be encouraged by minor extensions of the role accorded to sharebolders by the Companies Acts. A case could be made, for example, for allowing a shareholder who starts a proxy battle to recoup his costs from the company where he is sup-ported by a majority of share-holders at a meeting.

#### Conflict of interest

That is not to say that Mr Charkham is short of constructive ideas, especially in relation to the one new feature of the financial system which draws the interests of shareholder and manager back together: the management buy-out. In a perceptive analysis of the conflict of interest inherent in buy-outs the paper rightly points out that shareholders, unlike a target company management in a hostile takeover, are caught without warning and without a plan. The people they have relied on, including the company's advis-ers, have changed sides and enjoy an unfair information

The paper argues plausibly that the Takeover Panel should give shareholders more time to marshal information and find alternative buyers. It also suggests setting up an ad hoc body consisting of non-executive directors and professional advisers expressly to advise shareholders at the company's expense on any given manage-ment buy-out. Both ideas bear thinking about in the light of the uncanny knack demonstrated by incumbent manage-ments for buying their compa-

# the highly engaging Memoirs of Reginald Maudling (Sldgwick and Jackson, 1978), who was Chancellor of

hava just been reading

1978), who was Chancellor of the Exchequer from 1962-64. Like Nigel Lawson in 1983-89, he made, as he put it, a bid to secure "expansion without inflation, the end of stop-go and a break-out from the constrictions of the past."

They had much else in common (as well as many differ-

ences). Both achieved distinction as philosophy specialists at Oxford. But because of a laid-back manner and apparent enjoyment of the good things of life, their industriousness was sometimes underesti-mated. Neither bothered to build np a personal following. Like Lawson after him, Mandling was the victim of abysmal Treasury forecasts. The one he received before his 1964 Budget did not predict any current deficit at all. Subsequently the forecasts deterio-rated "although always behind

what in fact happened." Maudling planned to cover the current balance of payments deficit from overseas credit. Unfortunately the incoming Wilson ministers in 1964 "immediately declared the situation disastrous. Thereby they magnified Britain's difficulties and virtually ruined the prospects of the policy of expansion without inflation on which we were set. A great opportunity had been destroyed by Labour's loss of nerve," which did not return for many years.

We have not had a change of government. But we have had a change to a more conven-tional Chancellor who makes speeches about import substitution. We also have a Labour Opposition which is going to town on the very balance of payments, which it would inherit if it came to office.

l recall ancient history because the figure which was thrown at Maudling's head by the incoming Wilson Governpayments deficit. The current deficit was in fact £400m. But to maximisa the political impact, the Labour Govern-ment added in the long-term capital outflow to arrive at the famous headline total for the so-called basic deficit. This old and tired concept

has now been revived by an article in the November NIESR Review. The author adds the estimated current deficit for 1989 of just over £20bn to its guess for the outflow on net direct investment and portfolio account to proclaim a basic deficit of £50bn for 1989. The figure has been blissfully seized upon by commentators who should know better.

The whole concept is a bogus one. Like so many of the world's imbalances it exists mainly in the minds of those who talk about it. Nevertheless the NIESR articla is not as hysterical as the alarmists who have seized upon it. It sees the so-called basic balance failing back to just over £30bn next year and to £14bn,or 2 per cent of gross domestic product, in tha early 1990s - easily financeable in today's capital markets, given confidence. But there is no need to take

per annum so far in 1989. refuge in reassuring crystal gazing. For the whole idea that the capital account can be split mto short and long-term flows - or sustainable and hot

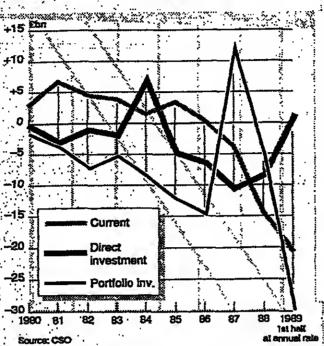
the UK's attraction as a base for European Community mareffect of Japanese investment on UK profitability and equity prices may also be helpful in turning round the portfolio

#### ECONOMIC VIEWPOINT

# money is absurd. 2. The distinction has, in any case, lost nearly all real world validity in today's highly liquid capital markets.

By Samuel Brittan





Bogey of

the basic

balance

to diversify by investment For most assets are highly liquid in today's liberalised inter-national capital markets. Neimanagers worried by UK politi-cal and economic prospects. The NIESR, to do it justice, ther official statisticians nor regards the present spectacular portfolio outflow as a flash in Treasury officials believe that such a distinction can be made the pan and sees a return to a on the basis of official figures. Particularly absurd is the dividing line - still used by those who estimate the basic net inflow by 1991.

The most long-term or struc-tural capital flows are probably direct investment. Here the trend bas been encouraging. There has been a net direct

#### The idea that the capital account can be split into hot money and long-term flows is outmoded

**OBSERVER** 

bank lending flows which are treated as highly volatile. But portfolio flows are even more so, shifting for instance from a net outflow of £15bn in 1986 to an inflow of £13bn in 1987, after the Wall Street crash. There was a resumed outflow of £5bn in 1988 and a much larger outflow of nearly £30bn It is on this last estimate

balance - between portfolio

movements, which they count,

amazingly, as long-term, and

that the shock horror stories about the basic balance are based. (Fresh estimates for the third quarter will be available in the balance of payments sta-tistics due today). The portfolio outflow reflects renewed desire

IMO's Ghanaian assistant sec-

retary-general and one of the

defeated candidates, will now be working for him.

investment inflow for the first time since 1977, now running at nearly £1bn per annum. The most sharply rising component has been Japanese because of kets. Moreover the indirect

account in the 1990s. But it does not do to exag-gerate the stability even of direct investment. One reason is the varying incidence of cross-border takeover bids and mergers. The truth is that sudden large capital movements

are always possible, irrespective of the current or so-called long-term capital balance. Let me try to summarise:

1. The traditional idea of a basic balance which treats inward portfolio movements as durable long-term investment and banking flowe as hot

3. The UK current account defi-cit partly reflects an excessive

and inflationary growth of domestic demand which has to be tackled in its own right. 4. But it also reflects a rise in investment, which will yield a return to cover tha servicing cost and can legitimately be financed from abroad (see Eco-nomic Vlawpoint, Nov 23). Domestic saving, taking into account the corporate and government as well as the per-Sonal sector, has hardly fallen. 5. The above proposition can-not be checked by a fruitless attempt to distinguish between imports of consumer and capital goods. (The key changes are in any case often in the inter-mediate category.) The clue is in the admittedly fallible

national accounts estimates for

savings and investment. 6. Even if there turns out to be a residual current account deficit reflecting borrowing for privats consumption, this is still not a problem for government. The crucial distinction between a deficit reflecting government borrowing and one generated in the private sector, is that the private sector does not have the option of bailing itself out by devaluation and inflation and has eventually to meet a budget constraint.

7. Devaluation has been of little practical help in adjustmen because it has led to higher inflation rather than increased competitiveness. in other words it has been nominal rather than real. 8. In principle governments

can attempt to use fiscal policy (for example higher taxes) to increase savings and thereby improve the current balance But such attempts often misfire as the private sector takes offsetting action. Even if they worked they would be mis-guided. For governments and their economic advisers are no better than private citizens at deciding between present and future consumption (which is what the savings decision is), 9. The main difference between private sector borrowing rowing between different regions of a single country is of course the exchange risk. Sentiment about particular countries or currencies is liable to sudden change – very often for reasons which have little to do with either the current account or the basic balance. However important, this is a difference of degree rather than of kind. 10. Maudling would have liked

freedom from the balance of payments constraint through a floating exchange rate, and Lawson through managed rates. But full freedom will come only from carrying man-aged rates to their logical conclusion of rates which are so firmly fixed that we have a de facto international currency. first in the European Community (including the whole of Germany) and then in the wider industrialised world taking in Japan and the US.

# BOOK REVIEW

# Vive la différence

wo popular images of industrial policy on either side of the Channel have grown up during the

The British one is of an aggressively non-intervention-ist Thatcher Government exposing private and public sectors alike to bracing competition. The received wisdom about France is that, despite a reduction in government meddling, discreet but purposeful dirigisme lives on.

Both images contain ele-ments of truth. However, 23 this collection of comparative studies - mostly by academics at the Sussex Science Policy

at the Sussex Science Folicy
Research Unit - makes clear,
they are also misleading.
The book challenges the
widespread viaw that the
French government machine is
particularly well-equipped to
take business decisions. Its civil service elite is not trained in practical management or technical skills, and is beset by inter-departmental rivalry. The authors may go too far in asserting that Whitehall is better structured for efficient intervention. But they are right to point out that the influence of state plannars ovar some leading French

industries has been araggerated. An extensive reorganisation of telecommunications manufacturing in the mid-1980s was sneaked through by the heads of nationalised companies, without consulting their gov-ernment masters. By contrast, the Thatcher Government had fewer scruples than its Labour predecessor about intervening directly to shaka up the unwieldy structure of Britain's System X telephone exchange

programme. The book also suggests the Thatcher administration suc-cumbs more readily than the French Government to special pleading by big business. Regu-lation of Britain's pharmaceuti-cal and food sectors is por-trayed as a cosy affair dominated by producer inter-ests, while France's tougher regime has brought consumers better value and higher safety standards.

The authors do not question whather public support for industry is right in principle. Indeed, they view it as essen-tial to the early development of new technology businesses. They blame its failures mainly on poor organisation, inadequate commitment or internal policy contradictions.

Thus, France's mobilisation

of resources behind a clear national strategy for biotech-nology is contrasted with the half-hearted ditherin woolly objectives which characterised the UK approach. However, France's efforts were also launched at the height of its short-lived experiment with command economy policies in the early 1980s, since when its appetite for costly intervention has dwinSTRATEGIES FOR NEW TECHNOLOGY: Case Studies from Britain and France By Margaret Sharp &

Peter Holmes Philip Allan, \$30.00 dled. Indeed, the book suggests French authorities have caught the British disease of self-donbt and may live to regret their new unwillin

regret their new unwillingness to take on the long-term risks."

An interesting chapter comparing Scotland's Silicon Glen with Grenoble argues that the former has failed to generate entrepreneurial epin-offs because it is peopled largely by foreign multinational companies which use it for massare. nies which use it for mass production, not product innova-

Grenoble, with its greater wealth of universities and gov-ernment laboratories, stood a were dashed by government decisions to direct new investments to poorer regions and to change the semiconductor strategy of Thomson, which had underpinned local high-tech industries.

The authors say there is lit-tle measurable difference between the performance of British and French technology industries. In other words, dif ferent responses have produced a eimilar clutch of mixed ults. This judgment would however, be more conclusive if they had covered a wider range of sectors: serospace, comput-ing nuclear energy and chemi-cals are all missing from the

The book's central mess though, is that purely national industrial policies are a thing of the past in Europe. Technology, international competition and market integration, it argues, are all conspiring to constrain governments auton-omy and elevate policy deci-sions to the European Commu-

This conclusion may be pre-mature: reactions to 1992 in several countries still seem tinged by "national champion" psychology. But if the authors are right about the general trend, problems may lie ahead. In consumer alectronics, already a trans-European industry, the book finds the EC Commission hopelessly split over whether to expose produc-ers to keener competition or to yield to their demands for

trade protection.

The authors have no doubt about which approach should be taken. While some limited form of EC industrial intervenview the benefits of a single market will be realised only if lts frontiers are kept open. That is still a point on which Britain and France continue to respect the tradition of vive la difference.

Guy de Jonquières

#### UN model in London

■ C P Srivastava, the Indian who is retirlog after 15 years as Secretary-General of the International Maritime Organisation, is full of praise for Britain as he goes. He says he thinks it was an inspired notion of the UN to site the

agency in London. Initially suspicious of the motives of the traditional mari-time countries, Srivastava has come to believe that the British habit of compromise, which he calls "pragmatic idealism," has been a key factor in the consensus on marine safety and pollution issues built up hy the IMO during his term of office.

He is also very complimentary about the munificence of successive British governments since the organisation was founded 30 years ago. The IMO's headquarters on the Albert Embankment are among the best of any UN

agency, he says.
Srivastava is proud of the expansion of the agency under his guidance to 133 countries, representing 98 per cent of the world's shipping tonnage, and including many countries without a coastline, such as Hungary and Switzerland.

But his greatest interest remains the World Maritime University, set up in the Swed-ish city of Malmö by the IMO five years ago to improve technical standards in Third World shipping. It now produces 100 MSc graduates a year. Srivastava plans to divide his time between India, London and Maimö in order to remain

Chancellor of the University, His successor at the IMO will be William O'Neil, bead of the Saint Lawrence Seaway Authority and the first Canadian secretary-general of a UN agency for 40 years. O'Neil, a friend of Canadian

Prime Minister Brian Mulro-

ney, beat three other candi-

fought election earlier in the year. Thomas Mensah, the

dates for the job in a hard-

A reader has written to query the use of the word whomever" in a recent Observer note and, although he writes from a Belgravia address, says that he has never had the self-confidence to use it. And I gather from my daughters that anyone who

Weasel words The 1980s are supposed to have been a decade of economic liberalism and market forces. Yet we now learn from the developments in Hong Kong that if you leave your country to seek better fortune eisewhere, you may be classed as an "economic migrant" and be liable to be sent home. It is not the happiest of terms.

Kensington News ■ The Royal Borough of Kensington and Chelsea may be mixing up student loans and the poll tax. Its leaflet on community charge benefits for peo-ple with low incomes includes a category for the Loan Parent. However, there is some tentative goods news from the Royal Borough. A reader has sent us some correspondence he has been having with Lon-don Underground about tha chaotic exit and entry conditions at Kensington High Street station, to which we

referred last week. London Underground has assured him in writing that work on additional stairways will start early in the new year. "In the long term," London Underground says, "we are looking at a station devel-opment package."

Who, whom?

"I think I left the £3,000 inside the patient."

uses even the word "whom" — at least in conversation is in danger of being ostracised at school.

Never having learned any English grammar, it has always seemed simple. "Who" is subjective, and "whom" is objective. The same must apply to "whoever" and "whomever".

Still, I have looked it up in Fowler. The second edition, revised by Sir Ernest Gowers has 14 pages on the supposed intricacies of "which, that, who" and, as always with Fowler, his rulings are a plea-sure to read. He does not, however, take the matter essentially further. He confirms that "who" is subjective and "whom" is objective. But he adds: "English-speakers being very little conversant with case-forms, confusions are

bound to occur." There is also the deliberate colloquialism, which even in Fowler's time was invading printed matter. Thus, Fowler comments: "When a book reviewer in The Times writes Who are such conspectuses really for?. we must presume the choice to have been made

deliberately, to avoid any suspicion of pedantry.' True enough, but it would be a pity of the correct usage

were dropped altogether. I think that it was Lenin who said that all power is about "Who, whom". That makes the distinction between subject and object even more clearly than Fowler.

#### Last outposts Despite the events in eastern

Europe, there are still a few outposts of communism: in the west African state of

Where the regimes of eastern Europe are bowing in the face of mass popular demonstra-tions, in Benin it is the govern-ment which has officially renounced Marxism-Leninism only to be greeted by mass demonstrations in the streets of Cotonou led by the (banned)

Communist Party of Dahomey, as Benin used to be called. General Mathieu Kérékou, who took power after a mili-tary coup in 1972, had already begun to adopt a more liberal economic policy as early as 1987, with the help of the World Bank and the International Monetary Fund.

Last week he decided to give up the leading role entrusted to the Bénin Popular Revolu-tion Party, and to end the obligatory use of "Camarade" as the official form of address: a substantial change for a country which 15 years aco officially adopted "socialis as the strategic goal and Marxism-Leninism as the philosophical guide". Yet the demonstrators have come out in their thousands to protest.

in a line perhaps best understood in English, what they want is Marxism-Beninism

Human touch

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# **FROM**

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Temptation, of course, is another matter entirely...

Cartier Ltd.

# Bridget Bloom examines the reforms of the Common Agricultural Policy

t is a full five years since the European Community, amid the pained profests of farmers, began to reform the common agricultural

So is the CAP, surely one of the most complex protectionist trade systems ever devised, now less of a monster — more rational, well ordered and less costly? Is it being readied to play its part, through the current Gatt trade liberalising round, in the unwinding of that spiral which has cost taxpayers and consumers around \$270bn in farm subsidies? It would be pleasant to report such good tidings, but the reality is less

contraging.

On the world stage the European Community has set its face firmly against the complete freeing of farm trade. Its long awaited position paper for the final stages of the international trade negotiations within the fact want to face. Gatt went to farm ministers this week and will go to foreign ministers next week. It continues to insist on the two-tier price regime, the key element of the CAP, since it involves special subsidised prices for EC farmers and "protective" import levies. The paper rejects the US proposal to phase out all trade distorting subsidies, envisaging only a more limited reduction.

Internally also, there is little evidence to appear that the EC is really

dence to suggest that the EC is really getting to grips with the problems now facing rural areas, many of which have been caused or exacerbated by the CAP.

Has nothing, then, been achieved? Provided the term "reform" is nar-rowly defined, the achievements have been important in one key area, that of finance - although even here.

there are reservations.

It is worth recalling that the spur to reform in the mid-1980s had nothing to do with the EC ministers' conversion to the virtues of free market agriculture. By 1984 spending on farm surpluses and on export subsidies was consuming such runaway sums that it threatened to engulf the whole EC bridger.

The dairy sector was the worst cul-prit and was thus chosen for treat-ment first. Production quotas slapped on individual farmers in March 1984 and progressively tightened over the next two years have brought milk production down to around 90m tonnes a year - compared to an esti-mated 121m tonnes had there been no quotas — and the dairy budget to a somewhat more manageable esti-mated Ecu 4.7bn (£3.4bn) this year from its 1986 peak of Ecu 6bn.

For other commodities - cereals. ollseeds, beef and veal, among others - so-called budget stabilisers were finally agreed at the EC summit of February 1988. Farmers have had to accept lower prices - as much as 20 per cent in the case of some oilseeds. Some of these have been offset by changes in the special "green" or farm rate of exchange, but the farm budget is now under better control. Having risen rapidly, from Ecu 12.4bn in 1982 to Ecu 27.5bn in 1987,



# The efforts to move a stubborn beast

farm spending fell to just under Ecu 27bn last year, and appears to be lev-elling out at a similar total this year. It was nearly 75 per cent of the total EC budget in 1985, but is now around

10 per cent less.

There are however caveats to this achievement. First, much of it has been due to the quite extraneous fac-tor of the north American drought, which resulted in cereal shortages, increased world prices and lower export subsidy bills for the EC. And although greater discipline has been imposed on the hudget, the most potentially costly and trade distorting aspect of the CAP remains: the Comaspect of the CAP remains: the Com-munity can adjust the prices it pays to farmers, but it remains legally com-mitted to buy what is offered to it. For the last couple of years, this has not been a problem, because of the North Amarican drought, and

lower EC harvests. What is not in dispute is that, even with the reforms, big EC or North American harvests would blow a hole in farm budgets all

Meanwhile, however, the reforms seem to have induced a complacency and a lack of political will among member state governments in the two key areas where they are now most needed: within the Gatt Uruguzy Round, and in fashioning the CAP into a more relevant instrument for

This bodes ill, particularly for the Uroguay Round where agriculture is widely regarded as the most intracta-

The EC's approach was outlined in The EC's approach was duffined in London last month by Farm Commissioner Ray MacSharry. The Community's dual pricing system must remain, he said. The EC "cannot be expected to give up the basic principles on which the common agricultural policy was built."

The EC 'cannot be expected to give up the basic principles on which the common agricultural policy was built'

It therefore rejected the proposal made by the US and supported by the Cairns Group of non-subsidising farm exporting countries that all trade distorting subsidies should he phased out - the US says this should happen over five years for export subsidies and to week for non-teriff import here. and 10 years for non-tariff import bar-riers, hnt insists those timescales are

How substantial the one reported concession is in the EC's new paper a willingness to go some way towards the US on tariff reductions - will become clear when the document is presented to Gatt later next week. Following the accord on farm stabilisers and with a year of the Uruguay Round still to go, there is plenty of time left for real negotiation. But, even assuming the EC is prepared to make the necessary political compromise, there are currently so many other issues around to absorb ministerial energies — from the oncoming single market to the new challenge of eastern Europe — that it must be questionable whether Gatt will get

the attention it needs.
On the domestic front, the problems are perhaps less urgent, but there is little sign there either that govern-ments want seriously to grapple with the continuing failure of the CAP to cope with the economic, social and environmental problems of rural

The fundamental issue is that a long term decline in agriculture as the engine of rural growth has been exacerbated by the existence of the CAP – both in historical terms, and as a result of the recent reforms. When the CAP was introduced in the original six EC states 30 years ago, it was often difficult, as one com-

mentator put it recently, to tell where peasant farming stopped and agri-business began. Today it is very much easier: there is a marked division between farming's haves and have-

Big farmers on better soils have steadily got bigger while small ones in poorer, often mountainous areas, have become increasingly marginal-ised. Overall, it is estimated that 80 per cent of the output of EC supported commodities comes from under 2m of

the Community's 10m farmers.

This is likely to be get worse over the next decade, for while it may take that time for the full effects of the new hio-technology revolution to be felt, as a result of new plant varieties and growth boosting hormones, yields could increase at a steady 2 to 2.5 percent a year. Yet only the richer farmcent a year. Yet only the richer farmers seem likely to be able to benefit at least partly because the stabiliserinduced decrease in farm gate prices make it possible only for the bigger farmer to operate profitably.

Faced with the growing gap, what is the EC proposing to do? While there is much discussion about the need to refashion the CAP there is no consenreissinon the CAP there is no conser-sus as to how it should be done. The Commission itself produced a treatise widely known by its French title, Le Monde Rural, 18 months ago which endeavoured to provide an outline

rural development strategy.

Apparently the brainchild of Mr Jacques Delors, the Commission President, Le Monde Rurale acknowledged that the problems stemmed from a surplus of both land and the people needed to farm it, but accepted that the ramifications spread far beyond agriculture alone. The paper sought a much deeper co-ordination of all those policies which have an impact on rural areas - not just agriculture and

forestry or even environment hut industry, transport, regional and social policies.

The paper has had an unenthusiastic reception. Ray MacSharry, given a new rural development portfolio as well as agriculture, is clearly finding it difficult to get any political impetus behind Le Monde Rural.

So what is left is a mishmash of

So what is left is a mish-mash of measures, ranging from small aids to help farmers diversify, to pre-pension payments to encourage retirement, which are aimed at taking the sting out of farming's decline. To date, however, these account for under 5 per cent of the total farm budget and in n recent interview MacSharry did not see this ratio greatly changing. Much is made in this context of the

reform of the Community's structural funds, which are to be doubled by 1993 to Ecu 14bn. Most of this new development money is destined for the southern member states, to enable them to catch up with the richer north, and much will inevitably go into rural areas.

Plans are not fully agreed, but already worries persist that the huge increase in funds will become a new hurden, resulting in piecemeal devel-opment and in a boost to production by bigger farmers, thus replicating in the south many of the problems now being experienced – and being exac-erisated by an unreformed CAP – in the north of the Community.

#### LOMBARD

# An uncharted crisis

By Michael Holman

mind when rending about Africa.

Four million people face star-vation in Ethiopia, aid agen-cles warn. Africa's population is set to double in 23 years, from 500m to 1bn, claims the World Bank. Black southern African economies would have grown at a rate of 5 per cent a year were it not for South African destabilisation, says the UN Economic Commission for Africa. Over 30,000 children Arrica. Over 30,000 chindren and 60,000 adults in Africa con-tracted AIDS in 1988, says the World Health Organisation. Really? How do they know? Of the 45 states that make up sub-Saharan Africa, barely a handful have reliable national

statistics. Many of the figures about Africa are little better

than guesses.

It is certainly trua that
Africa is in crisis. But no-one really knows the scale because there are so few reliable fig-ures. And if there are no reli-able figures, how do donors or recipients draw up an efficient relief operation, plan the cities of the next century, or calculate the hospital beds or class-rooms that will be needed in

Some examples:

About one in five Africans are said to live in Nigeria. But how many Nigerians are there? The country's last census was in 1963, "and even then there may have been an overcount," a government paper acknowledges. Officials believe that the growth rate is "most likely" increasing by "more than 3 per cent per year." The World Bank puts the mid-87 population at 106.6m. The government forecasts a population of around 163m by the year 2000, Billions of dollars are going into Nigeria's economic recovery programme. But its architects do not know how many people they are planning for. AIDS, say medical experts, could well decimate the popu-lation of several African countries. Uganda (population said to be 16m) may already have Im people with HIV, according to a government statement this month. The World Health Organisation says that 2.5m

people in Africa have AIDS. By 1992, said a recent report by

THE OLD aphorism about statistics should be borne in African infants will have been African infants will have been born with HIV since 1980.

The figures may be true.
They may be underestimates;
they may be exaggerations.
But no one really knows. Governments of some of the worst
affected countries conceal information. Some run-down health services are simply unable to obtain and collate the information needed.

 A UN report last October claimed: "South Africa's military aggression and destabilis-ation of its neighbours cost the region \$10bn in 1988, and over \$60bn and 1.5m lives in the first nine years of this decade."

It may well be true.
Yet two of the countries
worst hit - Angola and
Mozambique - have rudimentary statistical services. Fur-ther, the UN calculations include the cost of lost opportunities. This blithely assumes that the governments of a peaceful southern Africa, which, as well as the avowedly Marxist regime in Angola, includes Zamhia, where Kenneth Kaunda pursues his idiosyncratic version of socialism, would all have followed productive, efficient policies if left to their own devices.

What explains these dra-matic hut unverifiable figures? In the mid-70s I was on hand for the first political rallies to be held by the newly released hlack nationalist leaders of Rhodesla (now Zimbabwe). I wrote about the enormous crowds of up to 100,000. The politicinns' supporters were outraged. More like a million, they claimed. I was baffled by the gap, until one day I asked: "What is a million?"

The answer, in effect, was a great many people. "Million" was the only word that could do justice to the enormity of the crowd, Something of the same thing may be happening today, as those concerned about Africa's crisis attempt to convey the scale of the conti-nent's plight to a sometimes indifferent outside world.

The tragedy is real, hut we do not know enough about it. Helping Africa develop a reliable statistical base is as necessary a response to the continent's crisis as sending food to Ethiopia.

# LETTERS

## Different approaches to takeovers in the EC

the Confederation of British Industry urges the strongest support for the UK Government and the European Com-mission in "removing struc-tural and technical barriers tocontested takeovers - even if the time scale may be a long one" (Letters, 5 December). In common with many UK commentators on this subject, he appears to believe that the issne of contested takeovers

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within the EC is a purely regulatory one. This is not so.

The obstacles to contested takeovers which exist in other EC countries are not always the result of lack of enlighten-ment on the part of legislators or of the self-interest of public company managements. While

Now for

real thing

From Mr Jack Whyman.

Sir, Lisa Wood's article (December 6) on the agree-ments between Coca-Cola and the Amalgamated Engineering Union at the Wakefield plant is

a reasonable assessment of the terms and conditions set out in

What is not accurate is the

headline: "Where a no-strike deal is the real thing." Our members do have the option of withdrawing their labour if all procedural steps are exhausted in the avoidance of a labour

This is the British worker's undamental right in any company, and was included in the agreements between the AEU

Amalgamated Engineering

and the company.

Jack Whyman, Executive Councilman,

110 Peckham Road, SE15

the real.

management's salf-interest may have promoted some take-over restrictions (Holland is perhaps the chief suspect here), many restrictions exist because they are considered specifically desirable, or because they reflect generally the business culture of a coun-

The assumptions and atti-tudes underlying those restric-tions may be quite different from our own. In particular, the assumption in the UK that contested takeovers contribute to the efficiency and strength of the economy by imposing "the discipline of the marketplace" on management teams is simply not shared in many other countries, nor is the maximisation of shareholders' wealth necessarily regarded as

Engineers

an overriding objective.

This is especially true in Germany, where wide-ranging barriers to hostile takeovers are often the subject of criti-cism by ontsiders. Far from restraining competition and efficiency, these barriers are an integral part of an economic system which aims to encourage businesses to develop to their full potential by creating a stable environment in which decisions can be made in the best long-term interests of a company, rather than being dominated by share price con-

siderations. Moreover, the relative lack of importance attached to the German stock markets, social and employment legislation, tax regulations and the approach to financing industry

all point to an economic cul-ture which believes that a business is important in many different ways to a country, its economy and its society. The idea that shareholders' inter-ests alone should prevail is not widely accepted, and comparisons with the UK or the US are

unlikely to make it so.

I suggest that the very success of the German economy, (or, for that matter, the Japa-nese economy), and the indus-trial culture and financial system which have contributed to it, are themselves structural barriers to contested take-overs. If Mr Banham seriously wishes to remove them, his timescale will indeed be long. Granville & Co. Ltd., 77 Mansell St., R1

#### Season of goodwill

From Mr Alan Ducker. Sir, Max Wilkinson's column (December 11) highlights the despicable treatment given our young engineers over the last 30 years.

As a naval aircraft engineer officer on detachment to the aircraft industry in the UK in the early 1960s, I was saddened by how little the creative tal-

by how little the creative talents of young engineers were
valued. My later experience of
the US aircraft industry, where
engineering competence and
creativity were properly
rewarded confirmed the lesson.
Today, when lists of successful candidates for the professions are published in newspapers, the occasional half-page
of newly-qualified engineers is
ontweighed several times by
the numbers of accountants. the numbers of accountants. Someone should explain why the UK produces so few creators of wealth, and so many qualified to oversee them. Alan Ducker,

3, Allenby, Lansdown Road,

From Mr Alan Benjamin. Sir, In their arguments for

maintaining goodwill as a per-manent asset in the balance sheet "until its value is seen to have permanently diminished" (FT, December 7), Graham Stacy and David Tweedie are really arguing for an annual revaluation and an annual judgment on the value of an asset soon to be subsumed and integrated into the general business. Is this realistic and

Internally generated good-will ought to be valued — as should all intangible assets — and brought into a balance sheet. This would lead to a much clearer focus on asset stewardship and the condition of a company than the current practice of ignoring goodwill

Were the proposed new pracwere the proposed new prac-tice adopted, the problem would go away, because each year a view would be taken of all goodwill and values struck accordingly. The real gain for investors would he better informed scrutiny of management's arguments concerning

Sir, If the market capitalisa the net assets are worth £80m, is the difference not goodwill? Why do we need fancy meth-ods of accounting for goodwill

equals the market capitalisa-

these values. Alan Benjamin 9 The Chequers, West End Lane,

when the market tells us what it is? The rest can be taken care of by simple double entry book keeping – debit goodwill, credit capital reserve such that the net assets, including good-will, at the balance sheet date

This is an easy system which can be understood by every-Martin Jone 474 Upper Richmond Road,

# Death of the small pension scheme has been greatly exaggerated

From Mr Patrick MacNamee. Sir, it is not the case that potential restrictions on loanbacks and property acquisi-tions will cause the death of small self-administared pension schemes (SSAS). My associates and I have more than 100 SSAS, less than 15 per cent of which are involved with

to give the director and his financial advisers the power to choose investment sectors and to control costs. Only the normal fees are payable in connec-tion with such schemes and commissions are almost always

The many restrictions on insurance company schemes

The whole object of SSAS is have helped to create SSAS. which are using with profit policies issued by the major insurance companies as a substantial part of their overall

investment strategy.
In any event, loan-backs and property acquisitions are monitored by the SFO, and are not abused in the ways recent articles in the financial press Placing restraints on prop-erty acquisitions and loan-backs appears to be unneces-

sary. It would be sad to see them imposed, but this would not kill off SSAS. Patrick MacNames Patrick MacNames & Associ

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# **FINANCIAL TIMES**

Thursday December 14 1989



**NEW CLAMPDOWN ON PRIVATE ENTERPRISE** 

# Chinese leaders move further from reform

By Colina MacDougaii in London

TROLLOPE & COLLS

**MANAGEMENT CONTRACTING DESIGN & CONSTRUCT** 01-689 2266

CHINA'S hardline communist leadership, installed after the June massacre in Peking, has moved decisively away from reform towards e 1950s-style central economic control and further clamps on private

The news comes just as Western governments have begun to relax sanctions against China, applied after the Peking authorities shot down unarmed pro-democracy dem-

onstrators New rules published yester-day in the China Daily, Peking's official English-language newspeper, allocate a growing share of industrial output to the state, effectively punishing the vigorous but

ideologically doubtful private enterprise system and pushing China further back towards the central planning of the 1950s. The European Community agreed to suspend government credits to China at the Madrid

summit last June. Britain's £300m (\$480m) soft loan, frozen then, remains so and "there will be no easy thawing", a leading business-man in the China field said

yesterday. However, London will relax its suspension of export credit guarantees for China within the next two to three weeks, Export Credit Gnarantee Department officials said yes-terday. "We're now looking at applications for new business, and we'll be assessing how much we can take on", said

This is the first step in the Western return to the Chines market which Peking officials have predicted was inevitable since foreigners would be unable to resist 12hn potential

Reports from Peking say that other European countries, notably Italy, are starting to relax controls. Italy is said to be giving factory-gate subsidies to enable equipment to be sold

to China cheaply.

The British relaxation coincides with the trip by Mr Brent Scowcroft, assistant to President Bush for national security affairs, last weekend to brief

Chinese leaders on the US-Soviet Malta summit and to reestablish contects with the Peking government, also fro-

Last week Japan signed an agreement, again the first since June, for equipment worth Y5bm (\$347m) for four Chinese projects.

This initial unravelling of

Western sanctions comes against the background of a so far unpublished but widely leaked 39-point document, which was agreed at the par-ty's Central Committee meeting last month and which called for vastly increased state planning and new restric-tions on both private and col-

The measures outlined yes-terday in the China Daily herald the implementation of this tough policy.

These measures will allow the government to reduce sales autonomy, step up taxes, take over key enterprises and direct a bigger share of scarce raw materials to the state sector, nearly a quarter of whose enterprises operate at a loss.

While businessmen argue that Western economic aid is necessary to keep China's door open in the hope of reform later, such aid is unlikely to help as long as Peking contin-ues to revert to the inefficient system the Soviet bloc is seek-ing to abandon.

#### **EC** faces controversy over farm

spending

supervision By Tim Dickson

in Brussels

SERIOUS new flaws in the European Community's budgetary management proce-dures are highlighted in a controversial report published

yesterday.

Many of the criticisms centre on the alleged inadequacy of controls over the EC's Ecu27bn (\$31.4bn) farm spend-ing – and its vulnerability to frand - but also implicit in the findings is concern about the Community's use of cheap loans and the way in which money is distributed to newer

member states.
The findings, which cover the financial year 1988, are set out in the latest annual report of the EC's Court of Auditors, the financial watchdog which is charged under the Treaty of Rome to draw np its analysis of the Community's accounts and send them to the European Parliament and the Council of Ministers.

In earlier years, many of the Court's reports were dismissed as being out of date and poorly researched, but more recently its observations have attracted much wider political and public attention and served to highlight the apparently growing problem of EC financial

With EC budgetary cris for the moment, a thing of the past, the pressure for sweep-ing changes in the way Brussels organises its finances has eased. But while last year's comments from the anditors pointed the finger more at con-trols operated by the member states, a significant feature of this year's densely packed 342-page volume is the equal blame directed at the Brussels-based European Commis-

The detailed agricultural studies cover the EC's regimes for fruit and vegetables, the production aids paid on durum wheat, the subsidies given for the production and use of starch aids for skinned with starch, aids for skimmed milk powder incorporated into com-pound feeding stuffs for calves and the ewe premium in the sheepmest sector.

The Court reckons that almost Eculoum may at the moment be handed ont in "excessive" ewe premia hecause of the inadequate number of inspections of flocks carried out by Community officials

nity officials.
It says that the regulations governing the regime are inad-equate "because they combin definitions and provisions which it is not possible to control and they are too vague in their specification of the con-trols that should be carried out by the member state

It claims that the random physical checks carried out are not enfficient to to ensure that they act as disincentive to farmers to put in fraudulent claims. In a passage which conjures up potentially unkind images of EC bureaucrats, it is suggested that the minimum requirements of such checks should include physical counts of all the sheep.

# Soviet Union to buy 500 cars from Nissan

THE SOVIET UNION is to buy 500 cars from Nissan, apparently in a move to placate disgruntled coalminers in the Siberian city of Kemervo.

Miners in the region organ-ised strikes during the summer, and a Nissan spokesman said that the company has been told that the shipment, the largest Soviet order received by a Japanese car-maker, would be shared among the miners and their

representatives. The order, for 400 diesel and 160 petrol Sunnys, is estimated to be worth Y400m because of greater licence

THE BUSH Administration's

proposals for squeezing US defence spending are already coming under challenge from key congressional leaders for

not going far enough, since they take insufficient account of the reduced Soviet military

More than a month ahead of the formal presentation of the defence budget for fiscal 1991,

starting next October, congressional leaders have signalled

that a wide-ranging reassess-

ment of US defence priorities

undertaken in the light of the upheaval in Eastern Europe.

Pentagon has come from such

congressmen with a key role in determining the defence bud-

get as Senators Sam Nunn and John Warner, the Democratic

chairman and senior Republi-

can on the Senate armed ser-

Mr Nunn has this week argued that the Pentagon has failed publicly to disclose or

huild into its assumptions a new US intelligence estimate of

a greatly increased warning

time of a possible Soviet attack in Europe. The new assumption is that the West can count on a 33 to 44 day warning of attack, compared with a previ-

ous estimate of 10 to 14 days.

The new assessment was reached before this year's Soviet proposals for unilateral

troop cuts in Europe. The senators have argued

that the failure to take account

and spending needs to be

threat to Nato in Europe.

**Bush faces call for** 

bigger defence cuts

By Peter Riddell, US Editor, in Washington

(\$2.73m), and will encourage Japanese companies hoping to profit from the development of Siberia and the Soviet Far

Nisso-Boeki, the Japanese trading company which negotiated the contract, said the deal had "political signifi-cance" because there had been a consumer goods shortage in the region and the cars were designed to pacify the discon-

The company added that exporting cars had become

ments in the world".

with less warning.

being implemented.

given to the authorities in sen-sitive political areas, but that sales would be limited by a shortage of hard currency.

This is definitely the big-

gest single order a Japanese maker has received from the Soviet Union," the Nissan spokesman said. "Although the market has good prospects, we are taking a prudent atti-tude. It is a difficult to make definite plans for that mar-

Japanese producers have reported a significant increase in purchases of domestic cars by Soviet organisations, which have traditionally imported small buses and commercial

Last year, Nissan sold 672 units to the Soviet Union, and so far this year, the company has sold 1,298, excluding the Total sales by Japanese

makers last year were 1,313 units, and the figure is expected to be more than 5,000 this year, with Toyota reportedly having sold 3,000 by early last month, up from an average of less than 10 in the years before



# already talking of cutting at least \$5bn from this figure. Moscow agrees to delay price reforms

Continued from Page 1

However, he did propose that the Soviet Union's Socialist trading partners in Comecon should switch to trading et world prices in freely convert-ible currency from 1991, which would benefit the Soviet Union by boosting its hard currency earnings from oil. He also announced an end to

the system of workers electing their managers in state enter-prises – to entbusiastic applause from the Congress of People's Deputies, the new Soviet super-parliament. His programme stops far sbort of the radical vision of

economic reform presented only last month by Dr Leonid Abalkin, his deputy, although

it still includes the ultimate ambition of moving to a "socialist market" with a variety of property relations.
It was condemned by more radical reformers as a betrayal

terms as in the current fiscal year, though it would amount to a real cut of 3 per cent after

taking into account projected inflation.

But some congressmen are

of perestroika and a return to the traditional belief in administrative measures and central allocation of resources. The Soviet Prime Minister

did not hide the dire state of the economy in his presenta-tion to the Congress, admitting the popular dissatisfaction with perestroika, the shortages of goods, excess of money sup-ply and massive state budget deficit.

However, he said the key to a solution lay in a buge switch of state finances from heavy

industry to consumer goods,

rather than in too fast a switch to a market economy.

"If, contrary to objective rea-son, we should try to introduce fully-fledged market relations by 1991, it would bring us to serions socio-economic upheaval, a new stage of galloping inflation, falling production, mass unemployment and aggravation of social tensions," he said.

Plans to reform farm-gate prices for foodstuffs next year, in an effort to stimulate higher food production, were being postponed to 1991, he said, putting back the price reform process by a year across the board. Retail prices would not be changed before 1992, after a

On foreign trade, he warned that "the currency deficit is most dangerous, the most destructive of all balances."

As a result, he called for a halving of imports which could be produced in the Soviet Union, such as ferrous metals, paper and some chemical prod-

"nationwide debate."

He repeated the known Soviet enihuslasm for a switch to trade in convertible currency in Comecon, suggesting that it should be done as soon as 1921—a recover likely to be as 1991 – a move likely to be resisted by East European trading partners such as Poland and Hungary, whose own exports would be worth less in hard currency than Soviet oil.

# Too-early UK entry 'could hurt EMS'

Continued from Page 1 it because it was the Government's responsibility to ensure

low inflation. Mr Leigb-Pemberton said that by "independent" he did not mean an "unaccountable" Bank of England, which was not a sensible proposition in a modern liberal democracy.

However, the Governor said an explicit obligation to ensure price stability could be sepa-rated by statute from wider economic policy-making in a way that protects against "damaging trade-offs." "An institution placed under such an over-riding obligation would, over the long run, be better at obtaining price stabil-ity, and that democratic accountability could provide sufficient protection against incompetence or a misuse of powers," be said.

Price stability would have to be the cornerstone of the EMS and, more broadly, the first stage of economic and monetary union. He rejected any Europe-wide attempt to determins how that was done and advocated caution along the road to EMU.

He said that the commitment to low inflation should be entered into voluntarily by the EC's 12 member states and that the means by which price sta-bility was achieved should be left to national authorities to

decide for themselves. However, the Governor was reluctant to consider the future beyond stage one of the Delors report on EMU. He said a commitment to price stability would bring about greater exchange rate stability and make realignments within the EMS less and less frequent.

# HIETEX COLUMN Living with the rising Mark

For a little while yesterday it looked as if the UK's currency problems had resurfaced, with the D-Mark rising at one point to its highest ever level against sterling. There seems little rea-son for the UK authorities to panic. The curious behaviour of the foreign exchanges will of the foreign exchanges will be at least partly due to the approach of the year end, with positions being closed and money being brought back home. In recent weeks sterling has been stronger than the dollar, to say nothing of rising to a two-year high against the beleaguered Yen.

But yesterday's events were a useful reminder that sterling is by no means out of trouble.

a useful reminder that sterling is by no means out of trouble. The market euspects that today's Bundesbank meeting, which sets monetary targets for the year ahead, may lead to a further rise in West German interest rates. That apart, the market is also starting to discount the possibility that German funds which made their way overseas a couple of years. way overseas a couple of years ago may now be heading home, perhaps to prepare for invest-ment opportunities in Eastern

If the Bundesbank still aims to restrain domestic growth by suppressing demand among its neighbours, it presumably does not mind whether it does so by raising their interest rates or driving down their currencies. The complicating factor is that the D-Mark is close to the limits which might trigger an EMS re-alignment. If the other European currencies devalue against the D-Mark, the case for treating the sterling/DM rate as an aberration would be

**British Airways** 

It is eight months since BA and KLM first announced plans for a link-up with Sabena and the deal's slow progress indicates the problems involved in linking national airlines. Even now, the 20 per cent stakes have to pass the scrutiny of the European Commission. But if the link-up does win approval from the bureaucrats, BA will have the strategic benefit of a share in what might eventually be one of Europe's leading hubs. Heath-row and Gatwick are already straining their capacity; Brus-sels could take surplus long-haul flights as well as providing a channel for the underter and Birmingham.
The initial investment in

Sabena World is small at £34m, but there may be a good deal more to spend if the Belgian airline is to achieve its ambi-

Consolidated Share price relative to the FT-A All-Share Index

tion of trebling its size within six years. After the £310m rights issue, originally intended to fund the UAL stake, BA is at least not short of cash.

An ideal network would of course add a US and a Far Eastern hnb to the European centres. The chances of BA becoming involved as an equity partner with UAL now look remote, but the marketing agreement still stands. The risk for BA is the attitude of risk for BA is the attitude of whichever equity investors do eventually get involved in the UAL buy-out. In the Far East, finding a partner could be difficult since many of the local airlines compete with BA on long-haul flights. Long though it took to arrange, buying into Sabena is only the first step on a very long road.

Deutsche Bank

However wary one may be about German banks' accounts, with their hidden reserves and ample scope for profit smoothing. Deutsche Bank's 10-months results yesterday were impressive evidence of how much was achieved in the Herrhausen era. True, it would have been hard for Deutsche not to make a packet this year given the vigour of German domestic loan demand this summer and autumn, especially in real estate and construction, and a rising Lombard rate. Indeed, Deutsche's shares dropped DM9.5 to close at DM768 last night; hardly surprising, given that strong earnings figures from Deutsche, Dresdner Bank and Commerzbank have been well discounted in the outperlate October or so. Underpinning the 28 per cent

rise in Deutsche's mainstream banking profits, to DM3.18bn, are two special features. One is the feed through to the bottom control measures. For a Gar-man bank, 2 3.5 per cent drop in headcount looks impressive. the mere 0.7 per cost rise in overall staff and operating costs in the first 10 months mean Deutsche has classed back some of the operating margin it lost in 1986 and 1987 The second is the evidence of Deutsche's assimilation of inceign acquisitions, such as Banco d'America e d'Ibalia, in the 25 per cent growth in lease outstanding to foreign customers. The appointment of Mr. Hilmar Kopper as Mr. Herrisa sen's successor suggests no change in Deutsche's slistegy of making itself a global

Charter

The stock market would love The stock market would love to believe that South Africa's Anglo American Corporation has a great game plan to guide its investments in its assorted overseas affiliates. If it has, it is very well disguised. Minorco does not seem what to make up its mind about what to do with the ambayesminning large ask. its embersossingly large cash mountain; Johnson Matthey is mountain; Johnson Matthey is in the midst of an unnecessary management unheaval; and Charter Consolidated is still having difficulty convincing a sceptical market that it is being run for the benefit of all its shareholders, not just the South Africans.

A 30-per cent rise in Charter's first-helf pre-tax profits and a generous dividend

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his succes

ter's first-half pre-tax profits and a generous dividend increase look reasonable enough But strip out the benefits of higher interest rates on the surplus cash and overdue cost cutting at the group's head office, and the results look pedestrian. The new management has done a credit the job turning the group round; but there is no way the dramatic profit improvement over matic profit improvement over the last five years is going to be repeated over the next five. Few of Charter's motley collec-tion of humasses can be seen as in major growth industries and the economic environment is likely to be far less benign. One hopes that yesterday's quarry acquisition will not

of the ventures of previous Charter managements, Never-theless, such moves are of far less consequence for Charter shareholders than the future of its 39 per cent Johnson almost half Charter's market capitalisation. The sale of this stake would be a sure sign that Charter is finally being run for the benefit of all its sharehold-

# **Caparo Group Limited**

through its wholly owned subsidiary

**Caparo Automotive PLC** 

has acquired

**Armstrong Equipment PLC** 

The undersigned acted as financial advisors to Caparo Group Limited and Caparo Automotive PLC.

**Charterhouse Bank Limited** Dillon, Read Limited

December 1989



150 Years of Excellence



Ford Motor, the world's second larg-est automotive manutacturer, predicted a further significant decline in the US car

decline in the US or cent fall in sales recorded in 1989. Ford also said the rapid additions to manufacturing capacity, especially by Japanese companies expanding both in the US and Europe, would result in worldwide excess capacity of 8.4m units in the early 1990s. Page 18

#### Hot time in Tokyo

For the second time this year Japan's financial authorities have had to step in to cool down trading on the Tokyo Stock Exchange. Last week, the exchange announced that it would tighten requirements for margin trading, in a bld to curb speculative activity which had bean building up in the market. By reducing the valuation of securities lodged as collateral for margin trading, the TSE hoped to send out a eignal to investors that the market was overheated. Investors got the message, but quickly and firmly decided to ignore it. Page 38

#### Ring of confidence

Nobody could accuse Barrack Mining of lack-ing confidence. Only two years after becoming involved in a project that will add about 8 per cent to world supplies of sillon metal, the Perth-based group is rushing ahead with dou-bling output from the initial 25,000 tonnes a

#### Could do better

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Even the most ardent supporters of the Ecu must egree that it is not all that it could be. Progress Is, however, better in some areas than in others. For, while commercial users find the Ecu a somewhat cumbersome Instrument that requires bundling appropriate amounts of the 12 component currencies, on the financial markets it has proved sharper and performs e number of novel functions. Page 21

#### A study in caution



Mr Hilmar Kopper (left), chief executive, announced e profits surge, prompting hopes of a record in 1989. Mr Kopper, answering questions with studied caution, represented a ant style than that of his eminent predecessor,

Mr Alfred Herrhauser slain last month. He described these results as "satisfactory to good," and hinted at a dividend Increase beyond the DM12 a share paid in

#### **Market Statistics**

FT-A world indices FT fat bond service Financial futures Foreign exchanges London recent issue

London stare service
London traded options
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Banco Naz. Lavoro	18	Loveli (GF)
Barrett (Henry)	24	MAN
Bond Corp	19	Marubeni ·
Brit & Commonwith	22	Minproc
British Gas		NMC
Bulmer (HP)	25	Nat'l Mutual Life As
Catalana de Gas		Olympia & York
Charter Consolidated		Optometrics
Chemring	24	Priest (Benjamin)
Clba-Geigy		Runciman (Walter)
Colonnade Develop	25	Sea Containers
Connaught BioScience	18	Stakis
Deutsche Bank	18	Stena
Dixons		Sumit
Dun & Bradstreet		Tellos
ERF .		Teredo Petroleum
Food Industries	24	Tiphook

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# Daimler pulls out of Ferranti bidding

By Hugo Dixon in London

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DAIMLER-BENZ, the West German industrial group, has pulled out of the bidding for Fer-ranti International Signal because it sees too many difficulties in acquiring the troubled defence electronics company within the tight time scale set by Ferranti's management. Baring Brothers, Ferranti's merchant bank, was informed of the decision yesterday morning.

The withdrawal of Daimler,

which was Ferranti's favoured partner to rescue it, follows a decision earlier this mouth by British Aerospace not to bid for Ferranti. It would seem to indi-

cate that Ferranti will have a hard time persuading international defence groups to inject new equity to plug the gap left in its balance sheet by an alleged \$215m (\$347m) frand.

Ferranti's decision to impose a

Ferranti's decision to impose a deadline of next Febroary on negotiations with groups interested in buying all or part of it was mentioned by Daimler as the principal reason for pulling out. In the event that no deal is signed by the deadline, Ferranti has put in place a £150m standby rights issue to secure its survival. Daimler believed this meant it would have to race through the

negotiations, something it was unwilling to do. It was also uncertain how easy it would be to manage a company like Ferranti from overseas.

"We decided not to pursue this actively within the time imposed by the standby rights issue," said Mr John McLaren, a director of Morgan Grenfell, the merchant bank advising Daimler. He said Daimler might look at Ferranti egain after the deadline had egain after the deadline had passed if no other group came forward with an offer. Following the withdrawal of both Daimler and BAe, ettention is likely to focus on Thomson-CSF, the

French state-controlled defence electronics group, and General Electric Company of the UK as possible partners for Ferranti. Nevertheless, a takeover hy Thomson would be politically unattractive to the UK Govern-ment because it would, in effect,

ment because it would in effect, amount to the nationalisation of Ferranti by the French Government. Thomson, which was considering a joint hid with BAe, made clear it was still interested in Ferranti after BAe pulled out. Meanwhile, the Ministry of Defence would not be too happy about GEC increasing its hold of the UK defence electronics mar-

ket, which it already dominates. tet, which it aiready dominates.

The involvement of Thomson or GEC, however, would be difficult to resist unless some other bidder came forward. A possible compromise would be to allow either group to take a minority stake in Ferranti.

Also understood to be interceted any Westinghouse the IIS.

ested are Westinghouse, the US electrical group, and Dowty and Smiths Industries both of the UK. Both Dowty and Smiths, though, are considered too small to take on the whole of Ferranti, and they are interested only in those parts of the group which overlap with their own businesses.

#### Volvo packs up its troubles PROCORDIA John Burton on the group's move to concentrate on its core business

Day, when Sweden cele-brates light in the midst of the Nordic winter darkness, Volvo chairman Pehr Gyllenhamwork chartness rear Gystelland mar decided to end a gloomy chapter for his company and begin a new one that he hopes will have a brighter future. In the higgest business deal in Swedish history, Volvo exchanged its troublesome interests in pharmaceuticals and food for co-ownership of the state

holding company Procordia.

The SKr23.8hn (\$3.75hn) arrangement amounts to a confession by Volvo that its decade-old attempt to diversify sway from its core business areas of core traters and according to the contract of the core traters and according to the core traters are considered to the core transition to the core traters are considered to the core traters are considered to the core traters are considered to the core transition traters are considered to the core tran cars, trucks and aerospace on its own has not been successful. But the solution to the problem is regarded as a clever one – as well as marking an important new development in the Govern-

ment's privatisation programme.
Pharmacia, the Volvo-controlled Swedish pharmaceutical company, and Volvo's food division, Provandor, are being merged into Procordia. Meanwhile, Procordia and Volvo are making a joint bid for outstand-ing shares in Pharmacia, in which Volvo now controls 48 per cent of the voting rights and 29

per cent of equity.

The acquisition of Pharmacia will transform Procordia into eden's largest pharmaceutical company, with sales of SKr11.8hu, overshadowing its domestic competitor, Astra, which had sales of Skr6.27bn in

The deal will allow the Volvo management to concentrate its attention on cars and trucks at a time when their sales are weak ening and the company's profits

are heading for a fall.

But while leaving Procordia with the management headache of improving the performance of Pharmacia and Provendor, Volvo can look forward to reaping the benefits that are confidently predicted to result from their syn-ergy with Procordia's Kabi pharmaceutical group and its food and drinks operations.

and drinks operations.

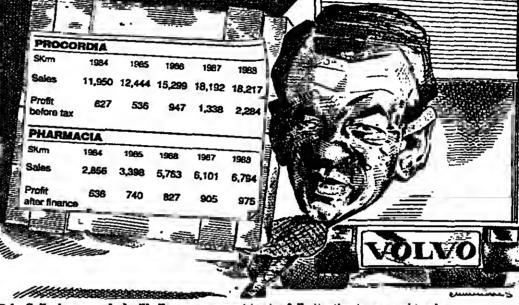
Volvo has spent the last few years looking for a way to restructure its non-core businesses, which it began to acquire in the 1970s. The diversification was based on the premise that it would protect Volvo against cyclical downturns in motor publicle sales.

Volvo was attracted to the food business because it is immune to economic cycles, but it could not find a way to counter the industry's low profit margins. Although Provendor sales of SKr10.4bn accounted for 11 per cent of Volvo's profits in 1988, its profit after financial items of SKr20cm represented only 2.5 per cent of group profits.

While Volvo mainly acquired its interests in energy and food through its merger with the Bei-

jer investment group in 1881, its entry into the pharmaceutical area came in 1985, when it bought its first stake in Pharma-With Volvo's backing, Pharma-

cia expanded its operations both in Sweden and abroad through a series of acquisitions. But an attempt by Volvo to restructure the country's pharmaceuticals and biotechnology sector in co-operation with Fermenta ended. disastrously in 1986 as Fermenta plunged into a financial scandal. Pharmacia's performance since then has been steady, but not



Pehr Gyllenhammar; deal will allow management to give full ettention to cars and trucks

outstanding, with an 18 per cent rise in profits between 1986 and

But Pharmacia indicated last month that it might be unable to match last year's profit figure of SKr975m due to weaker sales in

hiotechnology. With both Pharmacia and Provendor showing weaker profitabil-ity, the time seemed opportune for Volvo to transfer these assets to Procordia, which has aggressively expanded during the 1980s, in return for a 42 per cent stake in the concern, equal to that of the Swedish state

Procurdia has become a success story for the Swedish Government since its birth out of the remains of the previous govern ment holding company, Statsfore-

tag in 1982. Stripped of the state's lossmak-ing mining, steel and forestry operations, Procordia embarked, under its managing director, Mr Soren Gyll, on a major expansion into the profitable consumer products area, while gradually shedding its remaining industrial holdings. It controls Sweden's tobacco monopoly and is the country's higgest beer brewer through its Pripps and Falcon

Procordia decided several years ago to target the pharmaceutical area for expansion because of fears that the company was becoming overdependent on food, drink and tobacco.

Meanwhile, the addition of Provendor will help Procordia overcome its somewhat frus-trated attempts to create a food and drink empire in the Nordic region.
With Provendor's holdings,
Procordia can now claim to be Scandinavia's largest food and

drink producer with SKr17.7bn in The merger of Volvo and Pro-cordia food and pharmaceutical operations reflects growing con-cern within Sweden that its industry is vulnerable to the increased competition resulting from the EC internal market. It is only the latest example of a consolidation that is occuring in all

areas of the Swedish husiness world, from forestry to banking, to meet the challenge.

The wave of mergers is also accelerating the Social Democratic government's privatisation of its holdings in industry and banking. The reduction in its ownership

of Procordia from 81 per cent to 42 per cent marks the most important step yet in the privatisation programme, which has included selling off two-thirds of the steel concern SSAB and reducing the state interest in the NCB forestry company to half. The recent takeover of Nordban-ken hy the state-controlled PKbanken will also lead to a dilnlarger bank.

Although the level of state ownership is failing, the govern-ment has now gained a measure of influence in the country's higgest food producer, its largest pharmaceutical company and its most important bank, all areas the Social Democrats consider vital to the welfare of society.

# ABB in eastern Europe expansion

ASEA Brown Boveri (ABB), the Swedish-Swiss pon-Enropean electrical engineering group, is seeking to build an extensive manufacturing hase in eastern

close to acquiring a majority interest in Zamech, Poland's largest turbine and generator maker, a long-time licensee of ABB equipment.
However, the Polisb concern

has first to go through a form of privatisation and this process has proved more time-consuming and cumbersome than expected, so the purchase cannot be made until et least early next year.

ABB also began negotiations e few months ago on e possible joint venture with the stateowned East German power engi-neering sector and is doing the same in the Soviet Union. Mr Eberhard von Koerber, ABB's German-born executive

vice president for central and eastern Europe, said ABB was also opening discussions on simi-lar lines with state-owned power engineering gronps in "one or two" other east European states.
"We believe that if we were
not prepared to integrate eastern European manufacturing into e globel sonrcing network we

globel sonreing network we would not be honestly contributing to the political and economic changes in eastern Europe, and not contributing to onr goal of becoming the world's lowest-cost supplier," Mr von Koerber said. He said the intention was to fully integrate Zamecb, which employs 5,000, into ABB's world-wide manufacturing network. The injection of ABB technology and efficiency standards would help Zamech compete for power station projects in the third world. ABB also wants to use low-cost Zamech-made com-

use low-cost Zamech-made com-ponents in equipment produced at ABB factories in Western

ABB, which has been at the centre of a cluster of acquisitions in Western Europe and North America in the past two years, is not the only maker of power sta-tion and electricity transmission

equipment to be opening talks with eastern Europe. Nuclear Power International, formed by Siemens of West Germany and Framatome of France as a joint venture in nuclear cussing a joint venture with Soviet authorities.

Slemens, as an international leading electrical engineering group, must also be in contention for any joint venture with the East German power engi-

# BA to pay £34m for 20% stake in new European airline venture

By Paul Betts in London and Laura Raun in Amsterdam

£34m (\$54m) for a 20 per cent stake in Sabena World Airlines, e new European airline joint ven-ture with Sabena of Belgium and

KLM Royal Dutch Airlines.
The deal is the latest in a growing series of co-operative agreements between airlines to etrengthen their competitive position in an increasingly dere-gulated sirline market.

It is expected to be followed today by the announcement of a tie-up between Swissair and Singapore Airlines. Both have already established independent cross shareholding links with Delta of

the US.

The Sabena investment is designed to give BA a foothold in continental Europe, and support the UK flagcarrier's global expansion plans. The new venture plans to develop an extensive European hub at Brussels Zaventare aimout.

KLM is also buying a 20 per cent stake in the new airline, which will be 60 per cent con-trolled by Sabena. The joint venture is due to become operational

next month.

BA and KLM had discussed for some time the joint venture with Sabena, hnt negotiations were stalled in recent months because both BA and KLM were involved in complex negotiations to buy equity stakes in US airlines. However, after the collapse of the United Airlines buy-out, BA revived negotiations with Sabena and KIM. The Dutch airline had

also completed by then its negoti-stions with the US authorities over its acquisition of a stake in Northwest Airlines. BA said yesterday it would finance its investment using part of the proceeds of a recent \$310m rights issue. KLM would finance its investment ont of liquid

The new venture is expected to come under heavy scrutiny from the European Commission and is likely to test its stance on airline competition. Mr Michael Bishop, chairman of British Midland, the second tier British carrier, has aready warned he would campaign against the Sabena deal on paign against the Sabena deal on anti-competitive grounds. However, the three partners in the Sabena venture said they would remain eutonomous and continue

to compete commercially.

Apart from developing its new European hub operations at Zaventen airport, the joint venture will study plans to link Brussels with Manchester for services to North Amsrican and the Far East, and with Amsterdam for selected African and South American cities. The three partners also expect Sabena to triple in size over the next six years.

Lex, Page 20

# Caparo Automotive PLC

non-recourse financing for the acquisition of

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December 1989

# Japanese stock market surge puts Nikkei index at all-time high

By Stefan Wagstyl in Tokyo

THE Japanese stock market soared to a record yesterday, tak-ing the Nikkei index over 38,000 for the first time in a classic

year-end relly.
The Nikkei closed at 38,062.42. up 258.29, with most brokers reporting huying from all kinds of investors including Japanese individuals, their wallets flush

with end-of-year-bonnses. After lagging other big markets for most of the year, Tokyo has made up much of the lost ground in a spurt which started in early November and began to accelerate in the middle of the month. The Nikkel is 28 per cent higher than it was on December 31.

The surge caps e decade of unprecedented advances by the market. Foreign analysts who warned that nothing could go up so fast for so long were repeatedly proved wrong — most notably in the way Tokyo weathered the October 1987 crash.

Surgays of the past 10 years

Surveys of the past 10 years have prompted some analysts to make equally stupendous claims for the future.

The trigger for the most recent stage of the long advance seems to have been remarks made in mid-November by Mr Satoshi Sumita, governor of the Bank of Japan, hinting that he was slightly less worried about infla-

economist at Nomura Research Institute, predicted a "mild increase" in Japanese stock prices next year. This year's rise has been concentrated in the 225 shares which comprise the Nik-kei index. The more broadly-based Topix index of 1,000 stocks has risen 22 per cent, against 26 per ceut for the Nikkei. World Stock Markets, Back Page VI

#### INTERNATIONAL COMPANIES AND FINANCE



Pedro Toledo: one of

#### **BBV** chief dies after liver illness

By Tom Burns in Madrid

THE SPANISH BUSINESS world was stunned yesterday by the announcement that Mr Pedro Toledo, co-chairman of Banco Bilbao Vizcaya (BBV) and one of the foremost post-war bankers in Spain, had died

war bankers in Spain, had died aged 54.

He died late on Monday night at the Mayo Clinic, Minnesota, where he was awaiting a liver transplant. Mr Toledo's illness, diagnosed three months ago following his return from a holiday in Turkey, had been a closely-

guarded secret.
As chairman of Banco Vizcaya he joined forces last year with Banco de Bilhao's chairman, Mr Jose Angel Sanchez Asiain, to create BBV. The two men presided jointly over Spain's largest banking group.

Mr Toledo was widely experience. Mr Toledo was widely expec-ted to be BBV's sole chairman on the completion at the end of

next year of the initial stage of the merger process. Mr Toledo's chief achievement was the manner in which ment was the manner in which he rapidly developed a strong financial group around Banco Vizcaya in the late 1970s and early 1980s by cutting the bur-den of industrial risks in the parent bank and acquiring a network of regional institu-tions that had fallen foul of

Spain's banking crisis. An economist from Bilbao's Deusto University, Mr Toledo was credited with creating a closely knit team of highly skilled and motivated young bankers at Vizcaya and his ability as a talent spotter was legendary.

# BNL agrees on capital increase

By John Wyles in Rome

A L816.8bn (\$6.83bn) capital increase was duly approved by a special meeting of Banca Nazionale del Lavoro shareholders yesterday, but not without further polemics between the bank's management and the suppliers of its new capital.

Both INA, italy's state con-trolled insurer, and INPS, the state pensions body, believe they signed an outline agreement with Mr Nerio Nesi, the then BNL president, at the end of June which aimed at various types of collaboration in return for their underwriting the capi-tal increase.

After the resignation on Tuesday of the INA chairman, Mr Antonio Longo, in protest at the apparent reluctance of BNL's new chairman, Mr Giampiero Cantoni, to imple-ment the new agreement, Mr Mario Bartolozzi, INA's deputy director general, registered a public complaint to the share-holders' meeting yesterday. "INA had expected that

before this meeting the clauses of the agreement would have been implemented which pro-vide for the joint distribution of financial and insurance products and the transfer to

INA of the bank's insurance activity," he said.

For his part, Mr Cantoni made it clear that he disputed this interpretation of the June agreement and that INA could not be given any "exclusive" rights over BNL's insurance

The capital increase is to be followed next year by another of L345bn which is reserved for

the Italian Treasury.
Until then, the Treasury's stake in BNL will have fallen from 74.53 per cent to 58.66 per cent, while INA's rises from 12.1 per cent to 20.25 per cent and INPS from 8.46 to 17.23 per

Cir. Mr Carlo De Benedetti's holding company, yester-day applied to a Milan court for the sequestration of the 11.7m shares in Amef owned by the Formenton family. Cir says it has a written agreement to purchase this holding by the end of January 1991.

The Formentons have recently abandoned the alliance with Mr De Benedetti in Amef which gave the Italian financier control of the Mondadori publishing group through Amef's 50.3 per cent ownership of the group's ordinary shares.

## United Mizrahi Bank's managing director quits

By Hugh Carnegy in Jerusalem

MR MICHAEL Zvineri, the managing director of United Mizrahi Bank, Israel's fourth largest financial group, has resigned following a public call for his removal by the Bank of

the bank's performance.

Mr Zvineri agreed to go at a special board meeting in Tel Aviv convened in response to the highly unusual central bank action. His resignation "in no way" reflected accep-tance of criticism levelled against him, he said.

Bank of Israel officials said their move was prompted by concerns chiefly over lending policy at the bank, saying there was a lack of sufficient controls over credits. Mizrahi, controlled by the

United Mizrahl world religious Zionist movement, has, like

other Israeli banks, been forced to make hefty provisions for bad debts in recent years. It reported net profits in the first three quarters of 1989 of Shi 14.5m (57.4m), down from Shl 22.1m last time and following a loss for tha whole of 1988. Bad dabt provisions in the period were up more than 30 per cent to Shl 106.8m. The Bank of Israel stressed

there was no suggestion of malpractice by Mr Zvineri, Nor had it any reason to question the overall stability of Bank Mizrahi, but management shortcomings had to be

Mr Zvineri's place is being taken by Mr Yitzhak Yager whose position as chairman is being filled by Mr Chaim Kuberski, a former senior gov-ernment official.

#### Ford sees decline in **US** vehicle markets

By Anatole Kaletsky in New York

FORD MOTOR, the world's second largest automotive manufacturer, predicted a fur-ther significant decline in the US car and truck market next year after the 5.7 per cent fall in sales recorded in 1989. Ford said the rapid additions

to manufacturing capacity. especially by Japanese compa-nies expanding both in the US and Europe, would result in worldwide excess capacity of 8.4m units in the early 1990s.

Much of this excess, equiva-lent to roughly 20 per cent of worldwide production, seems likely to be concentrated in the US. All the main Japanese car makers have announced plans to accelerate their US plant building programmes.
As a result, motor industry

analysts expect Japanese "transplant" production in the US to exceed 2m units by 1991, rather than 1993, as many had originally expected. In October the Japanese transplant production rate passed the 1m mark for the first time.

Mr Donald Petersen, Ford's chairman, said in his annual review that US car and truck sales would fall to 14.5m units in 1990, 2.3 per cent lower than the 14.9m sales estimated for this year. Total car and truck sales last year were 15.8m

Ford's 1990 estimate is more pessimistic than the average forecast produced by the US economics profession, which is expecting 15m units to be sold next year, according to the lat-est figures published by Blue Chip Economic Indicators.

The motor group's relative caution is particularly signifi-

cant because it has recently been the most successful of the US-based car manufacturers. This year it has been the only non-Japanese company to increase its US market share. Ford's pessimism about the US car market seemed to be the partly to its low growth expectations for the economy as a whole Ford forecast that GNP would grow by only 1.5 per cent next year, after a growth rate of 3 per cent this year. The Blue Chip consensus forecast for next year shows GNP growth of 1.7 per cent.

# Deutsche Bank's profits jump 33%

By Halg Simonian in Frankfurt

PROFITS surged scross the by the booming German econboard at Deutsche Bank, West Germany's biggest bank, in the first 10 months of this year. confirming expectations that 1989 will be a record year, excluding extraordinary items. Hinting strongly at a divi-dend increase beyond the

DM12 (\$6.92) a share paid in 1988, Mr Hilmar Kopper, the new chief executive, said he was "confident" about earnings for 1989 as a whole. Group pre-tax profits last year amounted to DM3.1bn.

Partial group operating profits jumped by 33 per cent to DM3.18bn in the first 10 months of this year from the same period in 1988. Bolstered

omy, interest earnings rose by 18.2 per cent to DM6.24bn, while fee income soured almost 23 per cent to DM2.32bn.

Full operating profits, which are not revealed but include earnings from trading on the bank'e own account, rose by 20.6 per cent at group level and by just over 25 per cent at the parent bank. In line with German practice, both comparisons are made against 10/12ths

of last year.

Despite the large rises, Mr
Kopper described the results as
merely "satisfactory to good."
Part of the improvement had stemmed from the consolida-tion of newly-acquired subsid-

iaries, and the bank's main aim remained to raise the underlying quality of its earnings further, he stressed.
Some improvements are

already in train. The long-standing erosion in domestic interest margins has now been stopped, with the margin on parent bank interest business stabilised at last year's level of 2.45 per cent.

Fee income had been particulable because he marging the particular beautiful business. ularly boosted by the surging

German stock market, with the rise in share prices more than compensating for more diffi-cult conditions in fixed-income

Defending the rise in fee income against criticism that it

was below the increase posted at Dresdner Bank earlier this week, Mr Kopper attributed the lower figure partly to the "astonishingly high level" reported last year, when Deutscha Bank's earnings were swollen by its Lnxembourg

unit trusts. Cost increases were kept down to a minuscule 0.7 per cent to DM3.94bn at the parent bank. Reflecting the growing role being played by foreign subsidiaries, which now account for 40 per cent of the bank's business volume, Mr Kopper said that staff and other operating costs in the group had risen by 6.9 per cent this year.

# Consolidation is the key for new chief

IT WAS a creditable performance for a first-timer, although Mr Hilmar Kopper, Deutsche Bank's new speaker (chief executive), is hardly a stranger to the spotlight,

writes Haig Simonian.

Even before his elevation this week, he had masterminded the bank's two biggest acquisitions; its recent 1950m (\$1.5bn) pur-chase of Morgan Grenfell, the UK merchant bank, and the December 1986 take-over of Banca d'America e d'Italia for

But for all his talents as a highly experi-anced financier, who joined Deutsche Bank straight after school, the spirit of Mr Alfred Herrhausen, the previous speaker who was murdered by terrorists last month, pervaded yesterday's proceedings.
Workmanlike and straightforward, Mr
Kopper exhibited just those qualities

which explained why his colleagues appointed him as their mouthpiece earlier this week. Answering questions with studied caution. Mr Kopper represents a return to a less flamboyant style than his emi-

Mr Herrhausen shone in his range and speed. Razor-sharp answers would come without a second's pause.

Mr Kopper strengths are different, which will only be appreciated fully in the next two to three years, when Mr Herrhausen'e momentum has ebbed.

Mr Kopper has already indicated how he sees the bank progressing in the 11 years ahead of him as speaker, until he reaches the mandatory retirement age of 65.

Consolidation will be the key, at least in

the short term.

Explaining that Deutsche Bank has no more big acquisitions in the pipeline, tha new chief emphasised integration as one of his main aims.

After a breathtaking string of acquisitions in the past two years, pulling together the bank's new activities will cer-

tainly be a challenge.
In Spain, Deutsche Bank's stake in Banco Comercial Transatlantico has now reached 67.2 per cent; in Austria, Antoni, Hacker, the small bank bought in July, is to be renamed Deutsche Bank (Austria)

and take up full treasury and corporate finance activities in the first quarter of next year. In London, Deutsche Bank's share in Morgan Grenfell is now up to almost 45 per cent, with another three weeks for its bid to go.

"Yes and no," replied Mr Kopper to a question on whether the bank is now satisfied with its international coverage. "We can never say we are fully satisfied," he added.

With France the obvious gap, further development of the bank's international network was one of the most important

challenges, he said.

Mr Kopper does not envisage doubling the hank's balance sheet in the next five years, as has happened in the previous half decade. Rather, integration and improvement of the quality of profits are

There's a lot to do, and the better and quicker we do it, the sooner will be our success," he said. Few present yesterday would wish Mr Kopper anything but success.

# Order surge gives MAN firm start to year

By Andrew Fisher in Frankfurt

MAN, the West German truck, printing machinery and engineering group, has made a powerful start to its current financial year to June 30 1990, with a 19 per cent jump in new orders in the first four months to DM6.2bn (\$3.57bn).

After the July-October order surge, orders shot ahead by a further 27 per cent in November, said Mr Klans Götte, chief

executive. He forecast that profits in 1989-90 would be at least as high as last year, when net income rose by 26 per cent to DM254m on turnover which was 14 per cent higher at

This financial year, MAN will make a rights issue, using part of the DM250m of new nominal capital which will be put to the next annual meeting

its acquisitions and participations - it has recently announced two purchases in the truck sector, in Austria (Steyr-Daimlar-Puch) and Spain (Snasa) – from its own capital without taking on new debt or running down its

liquidity.

Mr Gotte sounded a cautious for authorisation.

Mr Götte emphasised that
MAN's financial position was
strong, with liquidity of some
DML7bn. It intended to finance

note on next year's wage negotiations, though, following the demand by the big IG Metall trade union for higher pay and shorter hours. He called for

moderation, especially in view of the challenges of the inter-nal EC market and the opening up of eastern Europe.

MAN's best earning subsidiarles last year were again MAN Nutzfahrzenge (trucks), which nearly doubled earnings to DM97m, and MAN Roland (printing equipment), with a 26 per cent improvement to DM58m. On the engine side, MAN B&W Diesel finally reached break-even after losing DM17m the year before.

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December, 1989



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#### INTERNATIONAL COMPANIES AND FINANCE

# Net \$1bn loss at Integrated Resources

By Anatole Kaletsky in New York

INTEGRATED Resources, the floundering New York finanfloundering New York finan-cial services company which has been one of the main vic-tims of the collapse of the US junk bond market, yesterday reported a net loss of \$1.04bn in the second quarter, much big-ger than the \$500m loss it esti-mated four months ago.

The massive increase in the

The massive increase in the reported losses suggests holders of the company's \$600m of junk bond debt may recover even less than the 50 cents on the dollar which many had been expecting since Inte-grated first defaulted on its interest payments in June.

Integrated said the main rea-son for the jump in its reported losses was "a very substantial decrease" in the estimated proceeds from planned asset

In particular, Integrated struck a deal in August to sell for \$310m its core financial serinvolved financial planning and asset management for indi-vidual clients. This deal fell through in October, after the collapse of the junk bond mar-

Integrated recently entered into a new arrangement to sell the core units for an undisclosed sum to a different buyer, Broad Inc.

Yesterday's announcement said the Broad agreement

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#### **Profits fall** warning from Dun & **Bradstreet**

By Roderick Oram in New York

would involve a "very substan-tially decrease" in the origi-nally hoped-for \$310m selling DUN & BRADSTREET, the bun & BRADSTREET, the leading business information group, has told analysts that operating profits from its credit service will fall by nearly \$100m next year.

Mr Robert Weissman, president and chief operating officer, said the company would not "whitewash" the problems of the credit service, a mimary Integrated added that its life

insurance operations had also been written down to sharply lower values, reflecting lower than anticipated disposal proin all, the second quarter's loss from discontinued of the credit service, a primary tool for US businesses. operations came to \$618m, while another \$422m was lost

Dun & Bradstreet admitted last month that companies on what are still regarded as "continuing operations." These operations generated quarterly revenues of only \$70.6m. were huying fewer credit reports from it in the wake of allegations of deceptive sales methods and inaccurate information. Without admitting or denying guilt, it settled in June for \$18m lawsuits filed

June for \$18m lawsuits filed by customers who alleged they were overcharged.

The cost of restructuring the credit operation plus other fac-tors will cut net profits next year by about 10 per cent to \$2.80 a share, the company said in November. Wall Street was taken aback by the news since the company had

reported unbroken profit growth for decades. Judging by Mr Weissman's comments to analysts, the problems of the credit division is having a greater impact on its financial performance than Wall Street realised. The company does not give operating profits of the credit services but analysts estimated a \$100m decline might represent

a drop of about 50 per cent.
The company told analysis that credit services in the US would resume "low double-digit" growth and "somewhat higher operating income growth" by the middle of 1991.

Last year the company's Business Information Services division reported operating income of \$78.1m on operating revenues of \$1.5km, Credit ser-vices in the US and abroad accounted for \$797.1m.
In addition to its famous

credit services, Dun & Bradstreet has a range of other major divisions, including the Nielsen television ratings and marketing services division and Donnelley, the leading US publisher of Yellow Page directories.

#### Brazil to sell state-owned airline in 1990

By John Barham

IRELAND US\$300,000,000 Floating Rate Notes Due June 1998

1989 to 14th June 1990 to Protest will carry an interest rate of 8%% per annum. Interest payable on 14th June 1990 will amount to US\$417.08 per US\$10,000 Note and US\$10,427.08 per US\$250,000

# The losses from continuing operations included a \$292m write-down in the carrying val-

write-down in the carrying values of businesses and assets and \$110m in expenses related to restructuring plans.

Beyond these one-time charges, integrated lost a further \$58m from continuing operations in the second quarter. This part of the loss was attributed mainly to interest expenses on the company's debt

Integrated said its quarterly results had been delayed because of changes in its busi-ness plans resulting from its deteriorating liquidity position. The company said it would commence work immediately on completing its financial statements for the third quar-

# US to raise capacity for paper-making

By James Buchan in New York

THE US paper industry, flush with profits from nearly four and towns all over the US are years of booming markets, plans to increase its paper-making capacity by more than 10 per cent in the next three years to maintain its one-third share of the world market.

The expansions, outlined in response to a questionnaire conducted by the American Paper Institute, are the most

ambitious of recent years.

According to the institute's annual capacity survey, published yesterday, capacity to make paper and paperhoard should increase some 3.3 per cent a year to 1992, compared with a rate of 2.1 per cent a year in the 1980s.

The most striking new element in industry planning this year are projects to use reprint, in place of wood pulp as the new capacity.

running out of dump space and have instituted newspaper recycling programmes, hni have been hampered by a

severe shortage of conversion capacity within the industry. The institute said indu consumption of recyclable paper should increase by 5.9 per cent a year np to 1992 untill it makes up 27.2 per cent of all the industry's fibre.

The survey also suggests that production capacity will emand sharply in newsprint— where annual increases are expected to be some 5.1 per cant in the next three years— in coated papers and liner-board. These figures may add to Wall Street's worry that the markets in the early 1990s will

Cambridge Lee

has acquired

Sogetub

**Trianon Finance** 

as advisor to Cambridge Lee

assisted in the negotiations

Paris, november 1989

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in Sao Paulo

Brazil'a government-owned sirline, is to be privatised in 1990. The carrier, owned by the state of Sao Paulo, is struggling with debts of \$600m.

The state legislature approved on Tuesday a government proposal to sell the airline, Brazil's second-largest domestic carrier, to the private

sector.

Mr Marcello Antinori,
VASP's president, sald: "The
sale will probably take place in
June or July next year. A lot of
preparatory work has to be
done first."

The company expects to suffer a small operating loss or, at
best, break even this year. In
1988 it reported a US\$40m opersting loss.

1989 to 14th June 1990 the No

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Placing of 4,000,000 Ordinary Shares of US\$0.01 each at a price of US\$10.50 per Ordinary Share and 800,000 Warrants, each to subscribe for one Ordinary Share at US\$10.50, in the ratio of one Warrant to five Ordinary Shares.

Application has been made to the Council of The Stock Exchange for the Ordinary Shares and Warrants now proposed to be assued to be admitted to the Official List. It is expected that such Ordinary Shares and Warrants will be admitted to the Official List, and that dealings will commence, on 21st December, 1989.

Particulars of the Ordinary Shares and Warrants are expected to be available in the Statistical Services of Extel Financial Limited on 21st December, 1989 and copies of the Placing Memorandum which comprise Listing Particulars relating to Malaysian Smaller Companies Fund (Cayman) Limited may be obtained during normal business hours from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD on 15th and 18th December, 1989 and until 28th December, 1989 (Saturdays and public holidays excepted) from:—

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# Receivership looms again for Bell

Anstralia'a atock market watchdog, has thrown fresh doubt over the future of Bell Resources, the 58 per cent-owned subsidiary of the beleaguered Bond Corporation. Receivership is again looming as a possibility.

as a possibility.

The Western Australian
Supreme Court yesterday
agreed to hear an NCSC application for Bell Resources to be
placed in receivership. But in a
move embarrassing to every-

move embarrassing to every-one, it put off a hearing of the matter indefinitely because a judge was not available. The NCSC was acting on its finding that Tuesday's agree-ment between Bond Corpora-tion and Adelaide Steamship, the Australian conglomerate, on board representation at Bell

MINPROC Holdings, the expanding Perth-based mining

and engineering group, yester-day announced the A\$305m

(US\$240m) purchase of resource assets held by the National Mutual Life Associa-

tion, Australia's second largest

insurance group.

The most significant asset

being acquired is a 24 per cent stake in the Cooljarloo mineral

sands to titanium pigment project in Western Australia.

The deal lifts its holding to 50

per cent, equal with its part-ner, Kerr-McGee of the US, and

heightens the group's cash

Also purchased are a 26 per

cent stake in the German Creek coking coal mine in Queensland, 20 per cent of the

By Chris Sherwell

LEGAL ACTION by the National Companies and Securities Commission (NCSC), Shares Code, which prevents shareholders moving to control of a company without a take-over. Adsteam is a 19.9 per cent shareholder in Bell Resources.

In response, Adsteam indi-cated yesterday that it would

cated yesterday that it would seek leave to appeal against the court's decision.

The NCSC said it would discuss the matter in the hope of resolving it "in the interests of all parties, including minority shareholders and bondholders, without the made for further. without the need for further

litigation."

The irony is that it was Adsteam which initially pushed for the receivership of pushed for the receivership of Bell Resources last Friday as a matter of "critical urgency." It then withdrew its petition on Tuesday once Bond agreed to

Minproc lifts resources profile

Minproc will thus develop a more diversified resources base

stretching into the energy sec-

tor. On the engineering side, apart from the Cooljarloo project it has a fully-owned sodium cyanide plant in Queensland and is involved in other ventures abroad, notably

m West Africa.

The terms of yesterday's announcement are highly favourable to Minproc. The company will place 50m of its shares with National Mutual at A\$1 each and receive from the National Mutual a A\$25m soft.

loan on which it will make annual principal repayments

over 10 years, starting in two

years' time.
Minproc will also make a

one-for-three renounceable

rights issue at 80 cents a share to raise A\$32m for existing and

future projects. The issue has been fully underwritten by

in West Africa.

the hoard representation Adsteam had been seeking to protect the value of its holding. The NCSC, which made itself a party to the proceedings on Monday indicated on Tracedor Monday, indicated on Tuesday it would accept the Adsteam-Bond agreement, but later decided it might breach the code and asked the court to

recall the receivership petition. If this were to go through, it could have the peculiar couse quence of hurting the minority shareholders the NCSC wishes to protect, because many of them believe Mr John Spalvins, who beads Adsteam, offers a better chance for them

to salvage more. Mr Justice Seaman, hearing the case, yesterday criticised the NCSC's "hot and cold" atti-tude and warned that any extended period of uncertainty resulting from its action was

Rothschild Australia and Riv-

kin & Co, and along with the placement will double Min-

proc's issued share capital to

200m shares. National Mutual, having

decided to gain exposure to resources through listed enti-ties rather than direct invest-

ties rather than direct investment, will become the largest
single shareholder in Minproc,
with 25 per cent of the
increased equity.

Mr Sam Kavonrakis,
National Mutual's chief general manager, said the most
appropriate strategy for it to
achieve the flexibility it
wanted was to form an association with a listed mining

tion with a listed mining

Mr Bob Wilde, Minproc's managing director, said Min-

proc would continue to pursue opportunities in downstream

processing in order to increase returns from resources assets.

the result of its "vacillation."
With Tuesday's decisions not
yet sealed, it is unclear where matters go from here. Bell Resources is still expected to hold its annual meeting next hold its annual meeting next week, presumably with its new board in place. Expanded to nine seats, it comprises four Adsteam appointees, including Mr Spalvins, four representa-tives of Bond Corporation and, as chairman, Mr Geoff Hill, a merchant banker close to Mr

Spalvins.
The absence of a representa-The absence of a representa-tive of minority shareholders is clearly a problem, and offers a probable way out of the com-plex tangle. Mr Spalvins, mean-while, wants to use his infin-ence to try to recover Bell Resources' A\$1.2bn (US\$944m) "deposit" to Bond Corporation for its long-mooted purchase of Bond's brewing assets.

O & Y joins

Tokyo project

THE Reichmann brothers,

through their main holding company, Olympia & York Developments, have joined a

consortium of Japanese compa-nies to bid on a large property

development in the Tokyo Bay area, writes Robert Gibbens.

In all, four Japanesa-led

groups have been set up to bid on the multi-billion dollar proj-

ect, each including Japanese

banks, trading houses and con-struction groups. The Govern-

ment, which owns part of the site, is organising the tender

O&Y, developer of London's Canary Wharf development, confirmed in Toronto it will be

bidding for

Bond's brewing assets.

**Canadians** approve two offers for Connaught

By Robert Gibbens in Montreal

CANADA'S federal govern-ment has approved both the French and Swiss offers for vaccine-maker Connaught Bio-Sciences, of Toronto. It will now be up to Connaught shareholders to decide, provided that Switzerland's Ciba-Geigy

remains in the race.
Institut Mérieux, the RhônePoulenc subsidiary, hid C\$37 a
share for Connaught, valuing the business at nearly C\$1bn

(US\$862m).

Mérieux already owns about
12 per cent of Connaught. A
week ago it said that it had
acceptances which brought
this to 56 per cent once its bid was approved and that it could take up the stock tendered. Ciba-Geigy, with Chiron Corp of the US, bid C\$30 a share for

Connaught.

Both Mérieux and CibaGeigy had promised the Government that they would provide Connaught with several
hundred million dollars in research spending and new

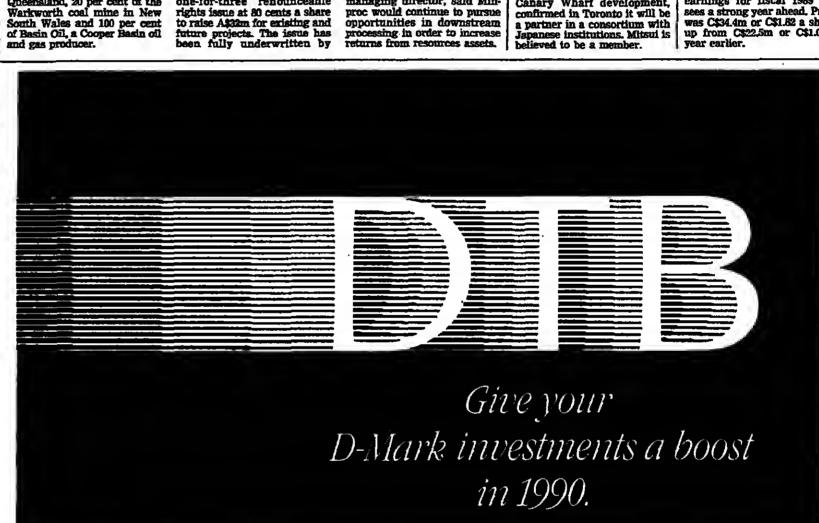
technology. Mérieux's hid was to expire at lam this morning and Ciba-

Geigy's one hour earlier.

When trading in Connaught shares resumed following the announcement they jumped

In Ottawa the Government said Connaught had unsuccessfully sought a Canadian partner, and either foreign hid could bring important advantages.

process, and as owner of part of the site insists on a mix of office, housing and retail devel-• Laurentian Bank of Canada reported a 53 per cent gain in earnings for fiscal 1989 and sees a strong year ahead. Profit was C\$34.4m or C\$1.82 a share. up from C\$22.5m or C\$1.05 a year earlier.



Starting on January 26th, the new German Options and Futures Exchange – the Deutsche Terminbörse – will commence operations in Frankfurt. Traded initially will be stock options on major German stocks, to be followed in the summer by futures trading in bunds (bonds issued by the German federal government) and the DAX share index.

The DTB will be a fully computerized exchange operating on a nationwide basis. Trading will be conducted entirely through monitor screens linked to the central computer of the exchange.

In view of the economic prowess of West Germany and the significant role of its currency worldwide, the DTB will offer market operators around the globe new investment opportunities right at the source of the D-Mark's

strength.

Go to the source.

DTB

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VI

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13th December, 1989



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Nationale-Nederlanden is one of the world's leading insurers with 26,000 employees in 22 countries. Its stock is quoted on the Amsterdam, Paris and Geneva stock exchanges.

----- Very favourable development continues -----In the first nine months of 1989 revenue increased by 18% to DFIs 17.2 billion and net profit by 29% to DFIs 620 million. These favourable results were mainly achieved by a continued vigorous organic growth in revenue and profit and by the contributions of the new holdings in North America.

Total assets increased from DFIs 82 billion on 31 December 1988 to DFIs 93 billion on 30 September 1989. During the same period capital and surplus advanced by 30% from DFIs 7.7 billion to DFIs 10.0 billion.

# First nine months 1989: Revenue advances by 18% and profit by 29%

1989 £M.		1989 DFIs ML	1988° DFIs M.	
3 500	Premium income	11 992	. 10 196	+18%
5 013	Revenue	17 173	14 603	+18%
181	Net profit	620	482	+29%
1.26	Profit per share	DFs 4.31	DF1s 3.82	+13%

Exchange rate: 1 £ = DFls 3.426 Made comparable with the first nine months of 1989

..... Expectation For the whole of 1989 the Executive Board expects a higher profit per share.

..... Further information ...... The full report for the first nine months can be obtained

Nationale-Nederlanden .NV, Group Public Relations, Johan de Wittlaan 3, 2517 JR. The Hague, the Netherlands. Tel: (70) 358 13 10.

Nationale-Nederlanden

# INTERNATIONAL CAPITAL MARKETS

# World Bank braves quiet trading with L200bn issue

**EUROBOND** markets returned to their seasonal torpor yesterday, as a few deals in smaller sectors emerged to patchy interest. Tuesday's \$400m issue for the Republic of Austria traded freely for the first time and was bid at the issue price of 99.50. Good sales were reported overnight in Tokyo.

Banca Commerciale Italiana (BCI) braved a strike of bank staff in Italy to bring a L200bn five-year deal for the World Bank. The bonds carried a 12% per cent coupon and wers priced at 101.55. Proceeds were swapped into floating-rate US

A BCI official said the bonds were tax-exampt for Italian investors and that demand would be mainly domestic. The

minimum value of corporate

bood issues to 25m ringgit from the beginning of next

Mr Jaffar Hussein, governor of the central bank, said the

move was aimed at attracting

more companies to the local bond market.

The previous 50m ringgit

year, Reuter reports.

BOTTOWER
US DOLLARS
FMC Corps (a)

SWISS FRANCS Footwork Corps + + (b)

FRENCH FRANCS Barclays Bank Pice

World Bank PESETAS European Inv.Bk. paper was quoted outside fees at less 1.85 bid. In France, Credit Commercial de France was the lead

manager of a one-year FFT700m issue for Barclays Bank. The bonds were quoted on fees at less % bid, a discount equiva-

INTERNATIONAL BONDS

lent to full underwriting fees. Cynical traders said the deal had a league-table flavour to it, but there was genuine institu-tional demand for the paper. Proceeds were swapped into

floating-rate funds,
Banco Bilbao Vizcaya led a
Pta15bn five-year Matador

10%

13.1

15bn

NEW INTERNATIONAL BOND ISSUES

100.20

100

101 %

Malaysia halves issue minimum

appeals from businessmen, he

Mr Jaffar also said lead

managers would, from next year, be allowed to act as depositories for their own

issues. Currently, lead manag-ers for bond issues have to

appoint a second party to hold

FT INTERNATIONAL BOND SERVICE

the paper.

1991

1995

issue for the European Invest-ment Bank to a good reception. The bonds offered a 13.1 per cent coupon and were quoted at less 1.35 bid, comfortably inside full fees of 1% per cent. Secondary trading was thin,

with the dollar market recording a slight blip around the US retail sales figures. Bond prices in Germany rose by around % point across the board, encouraged by wholesale prices data. However, trading remained light amid an ongoing lack of retail intere

The World Bank confirmed the issue of \$150m of two-year bonds, offered outside the US to central banks, government agencies and international bod-les. Invitations to subscribe ed on December 6.

212/12 Morgan Stantey Int.

1/5 Banco Bilbao Vizcaya

he looked forward to a boom in security backed bond issues and active trade in corporate

paper well before the end of

rating agency will be fully functioning and the financial futures market will be in place," Mr Jaffar said.

"By then, at least one credi

the next decade.

72/3 CCE

14/14 BC

Royal Bank of Canada reorganises top team

INTERNATIONAL

**APPOINTMENTS** 

By Robert Globens in Montreal

THE Royal Bank of Canada, the country's largest chartered bank, is making changes to provide its management team

From next May, Mr John Cleghorn, 48, will be chief operating officer as well as president. He was appointed president in 1986 and cur-rently oversees global corporate and retail banking from the Montreal head office. Mr Allan Taylor, 57, continues in charge of the whole bank as chairman and chief executive.

The changes follow the coming retirement of Mr Mike Michell, 59, vice chairman, finance and administration, and Mr Joe Regan, 59, vice chairman, strategic planning. Mr Gordon Feeney, 48, will be senior executive vice presi-

dent, retail banking, rising dent, retail banking, rising from exacutive vice president, operations and systems.

Mr Bruce Galloway, 42, will become senior executive vice president, corporate banking, stepping up from executive vice president, treasury. Mr Paul Taylor, 46, now executive vice president in charge of executives, will securities business, will assume global treasury duties.

#### Australian moves at P & O

By Kevin Brown, Transport Correspondent

MR B.W. Baillie, formerly group managing director of P & O Australia, has been appointed an executive direc-tor of the main board of the UK-based Peninsular & Orlental Steam Navigation shipping. property and construction con-cern, which he will combine with the vice-chairmanship of the board of P & O Australia. Mr Richard Hein, currently

deputy managing director of P & O Australia, will take over as managing director of this Australian arm from January I. Mr Doug Anderson, finance director of P & O Australia, will in addition become assistant tant managing director.

#### Hasbro makes senior changes

HASBRO, of the world's largest toy manufacturer, has appointed Mr Barry Alperin and Mr Alfred Verrecchia to newly created positions of co-chief operating officers. Both are executive vice presdents. Mr Alperin will con-

tinue to have responsibility for mergers and acquisitions, human resources, legal matters and marketing and sales in the Pacific Rim and South America. Mr Verrecchia will be in charge of financial and manufacturing activities. The company's extensive

known names such as GI Joe, My Little Pony, Playskool, Transformers action toys and Cabbage Patch Kids dolls. Mr John O'Neill has been promoted from a senior vice president to executive vice

product range includes well

president and will remain chief financial officer. Mr Norman Walker, previ-ously senior vice president, European marketing, has been made president of European

perations, a new post. Mr Alan Hassenfeld, whose family founded the company, became chairman and chief executive in July at the age of 40, replacing his brother, Step-hen, who died at the age of 47 due to illness.

#### Martin Marietta elects president

MARTIN MARIETTA, the US aerospace contractor, elected Mr A. Thomas Young as the next president and chief oper-ating officer, as well as a director, to take effect from Japuary 1

January 1.

He will succeed Mr Caleb B.

as previously He will succeed Mr Cateb B, Hurtt who, as previously announced, will retire at the end of the year. Mr Hurtt, 58, chose early retirement in order to pursue a number of personal interests, but he will remain a member of the board.

Mr Young, 51, who was appointed executive vice president on August 14 in anticipation of Mr Hurtt's retirement, formerly was a senior vice president of the corporation and president of Martin Mar-letta's electronics and missiles group at Orlando, Florida.

UNISYS, a leading US-based computer group, elected Mr George Robson vice president and chief financial officer.

Mr Robson, who had been vice president and corporato controller, replaces Mr Curtis Hessier as CFO. Mr Hessier will remain vice chairman.

#### INTERNATIONAL CAPITAL MARKETS

# Citibank plans UK Bankers temper enthusiasm for the intricate Ecu

By Deborah Hargreaves

· in the Metal

WITH index participations, the controversial equity derivatives embroiled in litigation in controversial equity deriva-tives, embroiled in litigation in the US, a consortium of finan-cial firms plans to launch a similar cash basket products in the UK early next year.

Citibank will offer settle-

ment for the new international products in conjunction with Sweden's Beijer Capital and the European Options Clearing Corp. The baskets will contain top stocks in different coun-tries and will be traded on a 24-hour basis.

The first product to be launched early next year will be a basket of Swedish stocks, to be followed in the second quarter by a German basket and later a French or Japanese product. The companies plan to market a range of 10 to 15 cash baskets, including those based on UK and US stocks, based on UK and US stocks, which will be launched later

next year. The cash basket contract, which will be worth £100,000 or s \$150,000, will have a trading life of a year and will be settled in cash and cleared through the European clearing house.
The baskets could challenge the index participations listed earlier this year, particularly as these have stopped trading pending the outcome of a current lawsuit against them. The cash baskets will not be listed on an exchange and will there fore be cheaper to use as well as trading round the clock These products could put

seat of this market," said Mr Fredrik Ljungstrom, of BCB Broker which will market the

product. The idea for trading basket of stocks grew out of the stock market crash when exchanges perceived a need for institu-tions to be able to move easily in and out of groups of stocks without the need to take deliv-

without the fleet to take delivery of the equities.

Although the products got off to a strong start in the US in April, a ruling by the Illinois court halted trading in them after two months. The ruling followed a suit from Chicago's future archement that delived futures exchanges that claimed the products were futures products and should therefore be regulated by the futures agency, the Commodity Futures Trading Commission.
While a decision is being taken on whether to appeal against the ruling, US exchanges are making some modifications to their products in a hid to get them re-classiucts and should therefore be

in a bid to get them re-classi-fied as securities. Mr Ljungstrom said the cash baskets will not be traded in the US until the case is cleared up, but US firms will be able to take the baskets on their books in the least the baskets on their books.

in other locations. The baskets are similar to stocks in that they will pay dividends, but they will be settled in cash. The new products will be targeted at market-makers and global fund managers, according to Mr Ljungstrom, and no at private investors as had been intended for the index

cash basket products Rachel Johnson examines the developing role in financial markets of the European currency unit

BFr/LUF

VALUE OF THE Ecu

19.00

30.10 1.10 10.15

uarter. But investors in the

T-bills have locked all but an estimated £500m of the out-standing £2.8bn debt away in

portfolios. Nor has the Bank's

aim of encouraging e wider range of sovereign and corpo-

rate borrowers to raise finance in Ecus met with resounding

Since 1982 the Italian Trea-sury has isseed Ecu25bn in

Ecu-denominated debt, of which Ecul6bn is in Ecu float-

ing-rate notes, Ecu8bn in Ecu T-bills and Ecu1bn in Euro-

bonds. In April, France launched a

government Ecu bond due in

1997, for a total of FFr7bn. Much of the issue, however, was placed on the basis of

prior agreements, which did not improve liquidity. In 1990,

James Capel reckons, there will be FFr9bn ontstanding

French Treasury Ecu debt.
Though there are more natural holders of Ecu deposits in

France and Italy - and it would seem a logical extension

New Fixed weights effective of currencies

0.1976 1.332

0.6242

0.06784 1.440

s the unofficial litmus test for the evolution of monetary and financial integration in Europe, even the Ecu's most enthusiastic supporters might agree that the currency has some way to go. Commercially, the Ecn is

still a fussy instrument. Users have to bundle up appropriate amounts of the 12 component currencies, which are weighted according to economic impor-tance. Stage 1 of the Delors plan recognises the stigma of fussiness, and embodies a commitment to lift restrictions on the commercial use of the Ecu. It is a somewhat more encouraging story on the finan-cial markets, where the Ecu is a sharper instrument and per-forms some unique functions. It ranks as the sixth most-used currency for newly issued Eurobonds. Ecu-denominated Eurobonds total some \$45bn. versos \$90bn for both the D-Mark and yen, and \$70bn for sterling.
Yet the perception that the

financial markets in Ecu have been stunted by the absence of an Ecu money market prompted a move by the Bank of England. A money market in sovereign Ecu debt was created at a stroke with the launch of a one, three and six-month Ecu Treasury bill programme, announced in August 1988. The Bank's healthy foreign reserve position — it repaid a floating-rate note before launching the ETB programme - snggested its intentions were as political as they were

functional, which may go some way to explaining the limited

designed to establish London as the fastest-growing centre for Ecu financial activity, which it helped to do. At the end of March 1988, banks in the UK accounted for 22 per cent of total Ecu activity. Currently London, with 29 per cent, has the largest share of the Ecu banking market. Paris, close behind, has 24 per cent. According to an Ecu newslet-ter published by a market-mak-ing bank in the bills, Istituto Bancario San Paolo di Torino. the development of Ecu-denominated short-term government paper would not only consoli-date the Ecu bond market, but also enable central banks to

The Bank has started using Ecus from the ETB programme in foreign exchange market inter-vention. Sir David Hancock director of Hambros, late of the Treasury, says this stimulates other banks' trading activity in Ecus. When the Bank sells Ecus to support sterling it sup-plies other banks with the cur-

manage currency reserves."

To a certain extent, it has

Intervening with Ecus has other advantages. It allows the UK authorities to support sterling without pushing the val-ues of other national currencies out of kilter. In the past, when the Bank intervened with other national currencies - such as D-Marks - it brought the Bank into conflict with other central banks, such As for consolidating the mar-

The ETB programme was ket, the ETBs have sparked some increased issuer and investor interest in Ecu-denominated commercial paper, according to Chase Manhattan. market maker in the Ecu bills. Before their existence. the only other short-term Ecu assets available for investment were bank deposits, certificates of deposits and some Ecu Euro-

commercial paper.
Even though the yields on the ETBs range between an unrewarding a per cent and % per cent below Ecu London interbank bid rates, the issues are always subscribed several times over. European central banks and supranationals -which are limited only to the highest-quality investments -make np much of the investment base. As Mr Ken Baugh, director of non-sterling short-dated money market sales at Warburg Securities, points out: "There is no better quality paper. It is breaking all records for spreads. It's the crème de la

However, for other investors, this is a disadvantage. The cost of funding the Eco paper is greater than the slim returns afforded by the low yields and provides one possible reason why the programms has proved less of a catalyst to the growth of the market than

hoped for.
In spite of enthusiasm on the part of central banks, there is still not a liquid cash market in the Ecu. Turnovers have increased, however, in the last three months ended November, the average turnover rate has risen to Ecu6bn, compared with Ecu4.3bn for the previous

of their Ecu programmes neither country has followed the Bank with monthly issues According to Mr Baugh,

progress has been "lamentable so far. But slowly and surely the word on Ecu will spread." Undeterred by the absence of copy-cat programmes, in Octo-ber a futures contract in Ecus was launched on the London International Financial Futores Exchange. With an illiquid cash market, this has falled to thrive.

After initial heavy volumes — 1,000 contracts in the first

valoe of £1hn - interest dropped. This week, estimated volume in the three-month Ecu was under 100 contracts daily, with opening and closing prices hardly changing.

Sir Devid says this is because the contract is redundant. "The Ecu paper is already a currency and interest rate hedge. Why would one need a second hedge?" At Lloyds Bank, Mr John Young, an economist, agrees. "Market participants agrees. "Market participants want volatility." be says.

The Eco basket was revised in September, to include the peseta and escudo. But this cannot be blamed for inhibit-

ing the market's expansion. San Paolo Bank actually attributed the large number of short-term Eurobond issoes earlier this year to "specula-tion" before the revision. Issu-ers wanted to capitalise on yield spreads before the inclu-sion of other currencies. Chase Manhattan, moreover, said the

**LONDON TRADED OPTIONS** 

rebasing "removed market

Mr Young pins blame on the slow progress of the commer-cial Ecu. "Mors widespread commercial use is a precondi-tion to the further growth of the money markets," he says. When San Paolo Rank gur. veyed seven European countries - the UK excepted - 42 per cent of the companies which responded said a part of their import/export activity

in the currency.

There is an irony bere.

Although the Bank of England may have taken the initiative in an attempt to develop the Ecu markets, Britain, for other reasons, stands in the way of their development. Mr Christopher Johnson,

was conducted in Ecu. Four years ago, only 9 per cent dealt

chief economics adviser at Lloyds Bank, describes the UK's hesitancy over the com-mercial use of the Ecu as symbolic of "Teutonic cantien against Latin enterprise." Referring to the exchange rate mechanism of the European Monetary System, in which sterling does not participate, he adds: "It is difficult to

see how London can claim to be the . . . centre of private Ecu business as long as the UK stays out of the ERM." Moreover, sterling's roughly 13 per cent weighting in the Ecu and non-membership in the ERM adds, in the view of some investors, an undesirable extra element of risk into Eco investment. On top of that, the volatility of UK interest rates

feeds into the Ecu, further

deterring investment appetite.

Technical Data/ATLAS Price Source:

# Dutch bank raises \$370m through novel share deal

ITT to by Deborah Hargreaves

Europe back in the driving

AS PART of a bid to fund its ending acquisition of a Chi-ago bank, Algemene Bank ago bank, Algemene Bank, Vederland, the big Dutch bank, has completed an innovative quity offering dubbed "stock leaning."

The bank yesterday placed a new issue of 9.4m ordinary hares, which are not entitled to a dividend this year, with a local institutional shareholder. exchange, the institution taken the bank 7.5m ABN it lend this year. ABN placed

V - 12 192

these domestically and abroad Some 3.5m of the exchanged shares were sold in the Netherlands and the rest in the international market via a consor tium led by Morgan Stanley and including Goldman Sachs and Credit Suisse First Boston. The offering is estimated to

generate some \$370m for ABN which will partly finance the \$420m takeover of Exchange Bancorp in Chicago. ABN's shares drifted down to F140.2 yesterday after closing on Tuesday at Fl 41.1.

FT-ACTUARIES SHARE INDICES

By Janet Bush in New York and Rachel Johnson in London NOVEMBER RETAIL sales cern about the high Fed funds

figures and a firmer than expected Fed funds rate put the US Treasury bond market on the defensive yesterday

GOVERNMENT BONDS

morning but price movements continued to be minimal prior to tomorrow's clutch of da At mid-session, short-dated maturities were quoted mostly h point lower, reflecting con-

rate while long-dated maturities were up by as much as a point. The benchmark long bond was up h point to yield 7.88 per cent, very little changed from last Friday's

Treasuries on defensive in dull trading

November US retail sales gained 0.8 per cent against forecasts of a rise of 0.2 per cent to a fall of 0.4 per cent. Most of the strength, however, came in the non-durable goods area and the impact was not great. The market was much more interested in tomorrow's

releases, which include the October merchandise trade balance and November producer prices, industrial production and capacity ntilisation. Fed funds opened at 8% per cent, higher than money market economists had forecast.

THE D-MARK'S strength on the foreign exchanges made for lively conditions in West Ger-many. Prices in the morning session were fixed higher and bunds put on about 20 pten-

nigs. Gains had halved to about

ten pfennigs by the end of the day, however.
The repurchase agreements

coming into effect yesterday left the market with a net DM1.9m liquidity. The Bundes-bank sold DM15.9bn of funds at a fixed rate of 7.30 per cent, and DM6.6bn at a variable rate of between 7.60 and 7.90 per

■UK GILTS fell back about & point bot managed to stay largely unaffected by the D-Mark's strong performance

	Coupen	Red	Price	Chungo	Yield	Week	Monti
UK GILTS	13.500	9/92	103-18	-3/32	11.98	12.09	11 51
	9.750	1/08	92-08	-2/32	10 84	11.01	10.67
	Ø.000	10/08	83-08	-4/32	6.58	το.οο	9.74
US TREASURY "	8,000	8/99	100-09	-1/32	7.90	7.85	7.95
	8.125	8/19	102-23	+ 2/32	7.89	7.88	7.92
JAPAN No 111	4,800	6188	96.1963	+0.031	5,41	634	5.49
No 2	5,700	3/07	102.0428	-	5.47	6.50	5 53
GERMANY	7,000	9/99	98.3500	+0,100	7.23	7.21	7.38
FRANCE BYAN	8,000	10/24	94.0562	-0.142	9.57	8.51	8.58
OAT	8,125	5/90	93.8500	-0.060	8.11	8.96	9,05
CANADA "	9.250	12/99	97,7500	•	9.60	8.71	9.41
NETHERLANDS	7.250	7/99	98.6600	+0.030	7.75	7.72	7,80
AUSTRALIA	12.000	7/90	94,3199	-0.181	13.06	13,14	13.35

#### **LONDON MARKET STATISTICS**

RISES AND FALLS YESTERDAY

These indices a										
EQUITY GROUPS	W	ednesd	ay Dec	ember	13 19	89	Tue Dec 12	Mon Dec 11	Frl Dec 8	Year ago (appro
& SUB-SECTIONS gures in parentheses show outliber of stocks per section	lodex No.	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	ed adj. 1989 to date	tadex No.	Index No.	Index No.	ladex Ro.
CAPITAL 600BS (204)	908,84	+9.5	12.75	4.77	9.61	30,71	984.23	902.86	599.81	755.A
Bwiding Materials (28)	1087.66	+8.1	14.55	5,23	8.57	49,71	1080,27	1982.30	1091.53	998.2
Contracting, Construction (37) Electricals (10)		+0.3	16,88	5,28	7.78	56.19		1462.54	1460.52	
Electricals (10)	19/1 00	+1.3 +0.6	10.33 9.46	4.71 3.77	12.17	84.46 52.19	2609.21 1930.70	2598.80 1924.69	2580.80 1907.74	2247.3 1731.8
Electronics (30) Mechanical Engineering (53)	472.92	+1.6	12.25	4.86	9.75	16.44	468.31	478.44	469.09	396.4
Metals and Metal Forming (6)	470.39	+0.7	25.07	6.38	4.50	23.02	467.31	468.95	464.09	447.0
Metals and Metal Forming (6) Motors (16)	376.71	+0.4	24.12	5,60	8.30	11.84	375.39	373.69	371.04	256.7
Other industrial Materials (24),	11752 XI	+0.3	9.51	4.32	12.39	55.27	1746.77	1734.49	1723.26	
COMSUMER GROUP (185)	11325.17	+0.9	8.58	3.46	14.62	33.79	1313.71	1309.97	1317.61	989.
8 rewers and Distillers (23)	. 11526.76	+1.2	9.32	3.44	13.32 13.76	36.48 31.60	1500.80 1153.76	1502.16 1148.17	1515.22 1150.88	1898J
Food Manufacturing (20)Food Retailing (25)	2270 12	+1.0	9.10 9.35	3.19	14.13	52.06		2309.33	2351.52	
Health and Household (14)	2768 31	+1.9	5.78	1.88	20.90	46.95	2717.54	2705.05	2703.37	1757.
1 ekure (35)	.0641.91	+3.2	8.16	3.60	15.11	44.41	1622.60	1628.37	1633.97	
Packaging & Paper (14)	545.86	-0.2	12.07	5.29	16.38	18.37	546.96	545.22	545.66	501.4
Publishing & Printing (18)	5815.93	+9.7	8.28	4.60	15.61	121.45		3750.95	3763.37	3091.7
Packaging & Paper (14)	791.04	+0.3	11.13	4.72	11.71	25.98	789.05	787.28	796.87 539.23	662.3 432.6
Textiles (14)	. 528.12	+0.3	10.88	5.62 4.48	11.62	22.88 39.90	526.52 1171.35	527.58 1168.58	1180.22	875.0
Agencies (17)	7628 79	+3.7	6.51	2.24	18.87	27.29	1569.69	1570.77	1593.12	995.5
Chambrale (22)	7223 68	+8.6	12.39	5.23	9.49	47.73	1215.86	1212.85	1218.14	
Conglomerates (14)	7657.89	+0.6	19.70	5.22	11.00	68.01	1642.71	1643.67	1673.85	1212.3
1 Franciscort (1.3)		+6.9	10.37	4.18	12.31	68.85	2279.09	2264.47	2280.74	
Telephone Networks (2)		+1.1	10.60	4.28	12.27	38.54	1185.54	1179.15	1296.81	9904
INDUSTRIAL GROUP (485)		+8.3	9.92	4.58	11.35	65,42	1922.23	1922.13		-
		+0.8	10.12	4.98	12,17	33.72	-	1178.02		911.
Olf & Gas (15)	2452.12	+1.6	8.83	4.67	14.96	_16.43	2413.60	2383.82	2403.49	1774.6
500 SHARE INDEX (500)	1295.60	+8.9	9.93	4.17	12.51	49,78	1283,79	1278.55	1285,61	984.7
FIHANCIAL GROUP (120)		+0.6	-	5.06	7	30.41	833.16	827.96	827.35	661.6
Banks (9)	871.65	+1.6	19.81	5.77 4.77	6.64	36.37 47.56	857.86 1398.86	851.33 1394.77	846.39 1389.07	653.9 906.8
Insurance (Life) (7)	712.05	-0.3	=	5.32	= 1	28.34	712.84	785.46	704.61	510.9
Insurance (Composite) (7)	1229.60	-1.0	6.67	5.56	19.96	47.09	1140.99	1148.48	1137.75	876.1
Merchant Banks (11) Property (49)	477.94	+0.7	-	3.61	-	11.59	474.55	475.62	473.56	310.3
Property (49)	1218.45	+0.2	7.50	3.51	16,88	30.32	1215.93		1221.94	
Other Financial (30)	. 331.60	+0.3	12.34	6.53	10.63	15.82	330,77	329.86	330.58	340.5
Investment Trusts (69)	1292.63	+0.3	10.67	2.71	11.16	25.23 22.25	1286.37 740.36	1286.21 739.07	1288.25 732.66	899.6 535.4
Mining Finance (1)	1534.78	+0.2	9.61	3.63 5.27	12.73	64.11	1540.00	739.07 1537.71	1535.78	1247.4
ALL-SHARE INDEX (697)	1186.76	+8.8	3.32	4.26	_	37.79	1177.80	1172.04	1176.92	904.4
ALL-SHARE INDEX (697)			Do do			_			Dec	Year
	index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 12	Dec 12	Bec 8	Dec 7	9ec	ago

FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS	Wed Dec 13	Tue Dec 12	Year ago (approx.
PRICE INDICES	Wed Dec 13	Day's change %	Tue Dec 12	rd adj. today	rd adi. 1989 to date	1 2	British Government Low 5 years Coupeas 15 years	18.36 9.75	10.35 9.73 9.63	10.54 9.70 9.22
3 Over 15 years 4 Irredeemables 5 All stocks Index-United 6 Up to 5 years	116.19 129.89 138.68 157.15 127.85	-0.08 0.09 0.20 0.08	216.28 139.36 138.81 157.47 128.12 149.93 139.72	 0.30  0.16  0.20	13.64 13.66 12.36 2.79	8 9 10 11 12 13	Inflation rate 5% Over Inflation rate 10% Up to	11.26 10.11 9.73 11.40	7.22 10.10 9.72 11.36 10.31 9.87 9.71 3.66 3.63 2.83 3.47	10.94 9.91 9.42 11.06 10.04 9.44 9.06 3.69 3.77 2.56
	139.56 139.54 105.76	+0.02	139.69 105.59	0.18		14 15	Inflation rate 10% Over Delts & 5 yes Leans 15 yes	5 yrs. 3.47 12.97 15 12.48	12.97 12.49	5.61 11.42 11.14
O Preference	84.91		84.91	_	6.39	17	Preference	275 12.10 1 10.79	12.13 10.79	10.86

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ame			
30	VOLUME slipped from Tuesday's water-borne heights but was still	with 1,305 dealt. James Capel conducted 60 per cent of the busi-	ing closed it was ennounced that Themes would join the FT-SE
865 390	a healthy 34,840 contracts of	ness in the package including a	from January 2.
45	which 22,864 were calls and	"table top" for March which	Oils wers also strong following
99	12,176 were puts, Trade in FT-SE contracts was	accounted for 3,000 contracts.  Trade In Thames Water	rises in New York overnight BP was busy with 2,817 contracts
104	markedly higher than on Tuesday.	dropped to 1,235 contracts. The	traded of which 1,820 were calls.
547	In all 9,579 were traded, against 7,532 on Tuesday when the total	vast bulk were calls with just 38 puts.	The BP Jen 330 call was the most popular with 905 contracts traded.
_	volume was 41,933.	The top contracts were the May	Shell was also active with 840
	Of yesterday's FT-SE volume, 4,102 were calls and the balance	140 calls with 502 traded. One salesman at Capel said the firm	contracts traded.
_	were puts. The most popular	hed expected good trade in	Jaguar was active with 1,178 contracts traded.
_	FT-SE series was the Dec 2,250 puts with 1,149 contracts traded.	Thames Water because, alone of	Some of the trade was made up
P/E Ratio	The new equity options egain	the weter compenies, it was already on the FT All-Share index	of position closing by investors wishing to accept Ford's uncondi-
	featured in the top three stock	and it was likely to Join the FT-SE	tionel otter for the UK motor
翌	options by volume. The package unit was highly popular with 4,888	100 index which meant that the institutions, which were generally	group. Of the Jaguar total, 866 were calls, 600 of those were Jan
=	contracts traded of which 66 were puts and the rest calls. The most-	restricted to buying Themes	800 contracts, against e current
92 93	traded contract was the May 1,500	shares as part of the package, would be underweight. After trad-	ehare price in the stock market of 846p.
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#### Anglo Utd nets £54m for Coalite quarries By Ray Bashford

ANGLO UNITED, the mining and fuel distribution group, has completed the first stage of an asset disposal programme which will reduce substantially the borrowings made to finance the takeover of Coalite earlier this

Charter Consolidated, part of the Anglo American Corporation of South Africa, is acquiring for £53.5m cash the quarrying activities which Anglo United inherited through the takeover. Anglo is also believed to be near to

completing arrangements to sell its hullders merchants' operations and final negotiations are in progress for the sell-off of the waste disposal busi-Both of these operations came with the £478m contested takeover of Coalite that was completed last July. Com-

pletion of the disposal programme will leave Anglo with Coalite's core fuel distribution operations, which

will be merged with existing busi-

Anglo financed the bulk of the takeover through a £200m short-term loan and a £270m six-year loan, arranged through Samuel Montagu.

mr David McErlian, Anglo United charman, said the sale of the quarries business, operated through Hargraves Quarries and Bothel Limestone and Brick Company, left the company well placed to best the financing dealine set at the time of the takeover.

He said that the objective was to repay the £200m short-term loan by the end of next year. In addition to the £53.5m from the quarries, Anglo is likely to receive at least an additional £70m from the sale of the builders' merchants and the waste disposal company, which could be completed by the end of this year.

Under the present plan, the debt will be reduced further by the sale of the

last important assets Anglo has up for sale: North Sea oil areas, property investments and a vehicle and truck distribution business. Disposals of other small holdings could return a further £15m-£26m hefore the

Charter Consolidated was choseo from 12 groups which made detailed proposals to purchase the quarries. It is believed that Charter was not the highest bidder, but had the advantage of offering cash and being able to settle relatively quickly.

The quarries made operating profits of £3m in the year to March 31 and net

assets at that date were £6.9m.

The builders' merchants husiness was expected to be one of the more difficult assets to dispose of because the climate in the business has cooled since the takeover, in line with other parts of the building



David McErlain: group well placed to repay £200m short-term losn behind Coalite takeover before deadline at end

# Charter Consolidated improves 20% to £38.5m

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED, the UK industrial holding group which is part of a world-wide network of companies under the influence of Anglio American Constant of Scribb American Corporation of South

American Corporation of South
Africa, revealed a 20 per cent
rise in taxable profit, from
£32.1m to £38.5m for the halfyear to September 30.
Attributable profit and earnings per share increased by 22
per cent to £25.6m (£21m) and
24.2p (19.9p) respectively, while
the interim dividend is lifted 37
per cent to £5.5m

per cent to 6.5p. Mr Jeff Herbert, who next Charter warned this should month takes over as chief exec-

and final
The results were in line with
analysts' expectations but the
share price fell 13p to 466p
immediately after the
announcement because of a
widespread feeling that the
groop had paid too much
for the quarrying
business.

utive said yesterday it was the board's objective to have at least 60 per cent of pre-tax profits generated by the operating subsidiaries within Currently about 40 per cent of profit comes from companies

directly managed by Charter and Mr Herbert suggested was not good enough. Under its new management team, Charter would concentrate on four industrial areas:

trate on four industrial areas:
quarries; specialist huilding products and services; mining acting chief executive and

and railway equipment; and finance director. Charter's Pandrol railway equipment subsidiary was about to complete an acquisi-tion in the US worth up to

With the Angio United purchase, plus demands for extra working capital from the industrial operations, it would ee the Charter's cash mountain, £119m net at the end of September, down to between

He and Mr David Davies, currectly deputy chairman of Charter, are both to move to Johnson Matthey, the precious metals group in which Charter has a 38.6 per ceot sharehold-ing, in the New Year as deputy chief executive and chairman respectively.

Mr Wakeling said JM had lost three key people with the resignations of the chairman, chief executive and finance

# Stakis tops £27m and still intent on expansion path

STAKIS said yesterday that it deflected from that strategy, was determined to increase its because we would rather be portfolio of nursing homes and build a chain of business hotels, even if faced with reces-

The Glasgow-based group, headed by Sir Reo Stakis, increased taxable profits by 11 per cent to £27.11m in the 52 weeks to October 1, compared with £24.46m in the 53-week period to the beginning of

Mr Neil Chisman, the new finance director, said yester-day: "We've got a strategy which is aimed at riding through a minor recession. We — including three conversions don't really want to he of existing hotels — operating

fighting for a dwindling market share with the business hotel concept than with a less

exciting product."

More than 75 per cent of trading profits came from hotels, and from the leisure division, which now includes casinos, pnbs, discotheques

Stakis is developing what it calls the Country Court brand of hotels - with leisure and husiness facilities aimed at business travellers. The group hopes to have nine such hotels

within the next 18 months. In the next five years it plans to raise this to 20 hotels in the UK and 10 in Europe, where it is carrying out preliminary research into the West German market.

During the year the hotels division pushed up profits from £18.93m to £16.47m on turnover of £76.34m (£67.05m). The property division generated trading profits of £5.28m (£3.87m) from turnover of £14.78m (£10.77m). Trading profits in the leisure division alipped from £9.04m to £8.66m on turnover of £48.1m

(£45.28m). Reorganisation of

the leisure operations hit profits, as did disruption caused by

**FINAL REMINDER** 

SETTLEMENT OF

TAKEOVER PANEL ISSUES

ARISING FROM THE

DISTILLERS ACQUISITION

CLOSING DATE 14 JANUARY 1990

You owned shares in The Distillers Company plc

You owned shares in Distillers on 15th April 1986 and accepted

the Guinness offer of Guinness ordinary shares for Distillers shares

and sold the Guinness ordinary shares received on or before 21st

You owned shares in Distillers on 15th April 1986 and accepted

the Guinness offer of cash for your Distillers shares (if the cash

offer was accepted a Claim Form will have been sent to the person

Claims must be received no later than 14 January 1990. If you have

not already submitted a claim, a claim form can be obtained from Deloitte Haskins and Sells, Distillers Claims

Administrator, Suite C, International House, Ealing Broadway

Centre, 7 High Street, London W5 4DB. Telephone: 01 566 2266. All queries should be addressed to the Claims Administrator.

("Distillers") on 15th April 1986 and sold those shares on or

before 21st August 1986 for less than 731p per share;

August 1986 for less than 335.4p per share;

named on the Guinness Form of Acceptance).

You can make a claim

IF:

OR

major readworks cotside the group's Loodon casino, the Stakls Regency Club. The growing healthcare division made £1.54m (£307,000) on turnover of £3.98m (£1.11m).

The group expects the year-end figure of about 700 beds in the Ashbourne nursing homes to grow to 1,000 by early 1990 and 5,000 by the end of

Earnings per share rose from 7.53p to 9.22p and the recommended final dividend of 1.5p, makes 2.31p (1.95p) for the year. Stakis shares closed up 2p at 97p.

• COMMENT Stakis should be able to live up

to its self-imposed target of 20 per cent annual earnings growth, although it will be a while hefore that growth comes entirely from trading operations. At the moment it is sustained by profits on the dis-posal of small hotels and muraing homes (£3.7m in these fig-ures) and an abnormally low tax rate. Those disposals will cootinue and could increase if hotels fail to meet more demanding targets imposed by Stakis's relatively new man-agement. Whatever the source of regular earnings and dividends growth, it should keep investors happy while Stakis develops its solid hotel/nursing home strategy - after five years the healthcare division could account for as much as one fifth of turnover and profits. Pre-tax profits of some £30m in 1989-90 implies a relatively attractive prospective p/ e of about 8.5, assuming a 10 per ceot tax rate.

**Appointments** advertising appears every Monday, Wednesday and Thursday

## Telfos calls off proposed £25m buv in Australia

By Andrew Bolger

TELFOS HOLDINGS, the diversified engineering group, has scrapped plans to pay £25m for a division of Australian National Industries, the engineering group which plunged into losses in the year to June and is now controlled by Mr Kerry Packer.

The group, which makes locomotive engines, was at an advanced stage of negotiations to buy ANI's Comeng division, which makes railway rolling

which makes railway rolling stock in Australia.

Telfos said last night: "During the due diligence investigations undertaken by Telfos, lits valuers, and its auditors, Price Waterhouse, it was discovered that there were material discrepancies between the value of fixed assets, the valuation of stock and work in progress and the auticinated ation of stock and work in progress and the anticipated level of overhead costs and resulting profitability pur-ported by the vendor and those that could be verified by Tellos and its advisers.

"In such circumstances the board of Telfos, acting in the best interests of its shareholders, terminated the negotia-

"Furthermore in view of indications made by the vendor, its directors and adviser Whitlam Turnbull, Telfoe intends to institute legal proceedings to recover its reasonable exists the processing the costs of the control of the costs of the able costs incurred in this abortive transaction."

Mr Joe Malins, chief execu-Mr Joe Malins, chief executive of Telfos, said that while ANI had valued Comeng'e property at A\$18m (£8.8m), Telfos' advisers put the figure at half that. ANI's figure for overheads was A\$8m, compared to Telfos' of A\$10m.

Mr Malins said he could not yet put a figure on the costs incurred, but a claim for them would be pursued through the

would be pursued through the Australian courts.

ANI, which was acquired by Mr Packer in June, could not be contacted last night. It fell dramatically into the red this year as a results of its costly

involvement with the col-lapsed Spedley group.

In the year to the end of
June It had an equity-ac-counted operating loss after
tax of A\$74.9m, a stunning reversal from the previous year's A\$74.8m profit. · Telfos also announced after the market closed that it had

sold for £11.2m its 29.4 per stake in Walter Runciman, the shipping, security and insurance group for which it hid last year. Mr Malins said Telfos had sold its whole stake to a Swed-

ish bank at 425p per share. He said Telfos had paid an average of 290p for its shares, which would give the company a gross profit of £3.55m.

Acquisition at Whittington

Whittington has agreed to acquire Wellingtons, a Lincol-nahire-based manufacturer and distributor of gift and stationery products.

The consideration is £1

though Whittington has agreed to assume Wellingtons' debt which amounts to £698,000.

# British Gas close to agreement on Spanish deal

BRITISH GAS is negotiating a wide-ranging agreement that could include a substantial minority share ownership with Catalana de Gas, Spain's leading natural gas distributor, the Barcelona-based company said

Negotiations are understood to be well advanced on a technical collaboration and marketing deal between the two com-panies. "An association with British Gas would be our best guarantee with a view to a der-egulated European market," said Catalana.

In parallel talks, which Catalana said were less advanced, British Gas is reviewing a share option in the Spanish

Company.

There are reports, which There are reports, which Catalana would not confirm, that British Gas will acquire a 9 per cent holding in the Spanish group, which is currently owned by Asland, a domestic cement producer controlled by Lafarge Copee of

British Gas yesterday declined to commont on the reports, or on any association it might have with Catalana. A spokesman said this was because the matter was \*speculation.

La Caixa, tha Catalan savings bank has a 31 per cent stake in Catalana de Gas, Repsol, the Spanish state-controlled energy group, has some 10 per cent and the remaining equity is widely distributed. Catalana buys exclusively from Enagas, the publiclyowned Spanish gas importer, but said that purchases from British Gas were a "possibil-

The company has a 33 per cent market quota in natural gas distribution in Spain and an 80 per cent quota of the highly-developed Catalan market. It is forecast to post pre-tax profits of Pta5bn (£26.75m) this year against Pta3.36bn in

#### Seacon postpones board meeting on new offer

SEA CONTAINERS has postponed a crucial board meeting which was to con sider possible new dafences against an increased \$1.12bn

Directors of the Sealink ferry and container group were due to meet on Tuesday, but it proved an inconvenient date for all members of the board, who are based around tha

The meeting will now take place next week. Stena, a private Swedish

shipping group, and Tiphook, a UK container rental company, increased their six-month-old

mon shares to \$70 per share last Friday.

That matched the target's planned defensive tender offer for half its own equity and put pressure on president Mr James Sherwood to set a date for a shareholder meeting to vote on the alter-

In New York yesterday, Sea Containers shares were trad-ing at about \$69, their high-est point for saverai months

The group hopee to announce today further asset disposals - part of a \$1.1hn programma to fund the defen-sive tender offer.

## Japanese buy 10.6% Summit stake from B&C

Placing by

Security Exchange Limited

in conjunction with

Greig Middleton & Co. Limited

Rickett & Co. Limited

£3,000,000 12% Convertible

**Unsecured Loan Stock 2000** 

including an Open Offer to Shareholders,

Share Capital

Ordinary Shares of Ip each

The Group's principal activities are the design and supply of modular packaging machinery and systems.

By John Ridding

MARUBENI CORPORATION. one of Japan's largest trading houses, is buying a 10.6 per cent stake in Summit Group, a private British financial and property concern, for about

Marubeni is acquiring the stake from British & Common-wealth, the UK financial services group, which is making a series of disposals to reduce its borrowings of about £900m.

Yesterday'e sale, which aves B&C with a 28.8 per cent stake in Summit, is a relatively small part of this process. But B&C intends to dispose of the rest of its holding and Maru-beni has an option to buy fur-ther shares from B&C, which would take its stake to about

20 per cent.

The largest component of B&C's disposal programme -the sale of Gartmore, the fund

management husiness - is

expected to raise ovor

Summit, which was formerly part of Atlantic Computers, is principally involved in financial advisory services to major corporations, sales aid leasing, lease financing of and dealing in printing equipment, and property investment and devel-

The price of the 10.6 per cent stake values the company at about £125ml

For Marubeni, the investment will enable it to use Summit to place funds Mr Mamoru Hashimoto, Marubeni's managing director, highlighted Summit's contacts and innovative financial approach as the attraction of the deal.

The sale of the stake will leave GEC as Summit's single largest shareholder with a 39.4 per cent stake.

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Ommhech pic Unit 21, Agisabusy Vele Industrial Park Farmbrough Close, Stockiake Aylesbury, Bucks, HF20 1DQ Greig Misidleton & Co. Lineited 66 Wilson Street

£380,000

packaging machinery and systems.

Particulars relating to the Convertible Unsecured Loan Stock are available in the Extel Unlisted Securities Market Service and copies of the prospectus, dated 17th November 1989, may be obtained during normal business hours for a period of two business days from the date of this notice from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London, ECZA 1DD and on any weekday (Saturdays and public holidays excepted) for a period of fourteen days from the date of this notice from:

Security Exchange Limited 25 Golden Lane London, ECTY OUA

14th December, 1989

COII

#### **UK COMPANY NEWS**



John Clare, managing director, (left) and Stanley Kalms

# Kingfisher document prompts vehement retort from Dixons

By Maggle Urry

DIXONS, the electrical retailer fighting a £568m bid from Kingfisher, which owns the Comet electrical chain, yester-day responded fiercely to

points made in the offer docu-ment, published on Tuesday.

Mr Stanley Kalms, Dixons' chairman, said the accusation that Dixons strategy was exces-sively reliant on deals and scoops was "unbelievable non-sense." And some of King-fisher's other accusations showed that it did not under-

stand the business.

Mr Kalms said he thought the real reason behind the bid was Kinglisher's fear that Currys, owned by Dixons, was increasingly opening stores in out-of-town locations and thus threatening Comet's domi-

He said Dixons' was a unique husiness whose future growth prospects gave it an unanswerable case. The inte-gration of Dixons' and Curry's management had been highly

Kingfisher had "failed to grasp what 'Operation Reap' is about," said Mr Kalms, Operaanout, sain Mr Kams, Opera-tion Reap is Dixons pro-gramme to increase market share through, a range of fea-tures such as merchandise, store design, stock, service, He said this was proup's "state of the art" stores were seeing the art" stores were seeing

Dixons shares fell 1p to 135p

were unchanged at 290p. Kingfisher's offer document

said that Dixons' was too dependant on "own label" mer-chandise. Mr John Clare, managing director of Dixons' stores, said these "exclusive brands" were "a very important, successful part of the

The ranges on offer to customers covered leading manufacturers' brands as well as Dixons' exclusive brands, giving customers choice and value for money. In some product areas the Dixons' brand had become the leader, he said.

Mr Kalms replied to King-fisher's attack on profits from Dixons' sale of extended war-ranties by saying that this could not be regarded as sepacould not be regarded as sepa-rate from the retail business, Further, he said, selling these warranties put "pressure on us to sell good quality merchan-dise" because if the product stopped working Dixons would be liable to repair it.

Mr Kalms queried the way Kingfisher had shown Comet market share, measured over a 12-week period. During this time Comet had been offering 18 months interest-free credit on products. "Anyone can gain market share that way," Mr

Kalms said:
Kinglisher's suggestion that
Dixons had boosted its retail profits through property dis-posals were "totally untrue" he

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baggeridge Brickfin	2.375	Feb 14	1.875*	3.125	2.5°
Bulmer (HP)int		Feb 26	2.685	-	6.945
Charter Consint		Jan 15	4.75	-	17.25
Chemringfin	16.25	Jan 26	14	24.5	21.5
Collonade Develfin	3.2	-	1.24	3.2	1.2
ERFint		-	4		15
Puller, Smith		-	1.55	-	4.45
London SecsInt		Feb 14	-	-	1
Lovell (GF)int		Jan 31	กมี	-	2
M&G Second Dust _int		-	6.64	-	18.79
Moorgate Investint		-	2.4	-	8.68T
NMCInt	1.25	-	1	-	3.3
Priest (Ben)int	1.5	Feb 6	1.5大	-	4.52
	4 64	A 44	4 20	0.04	4.05

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip lesue. 1On capital increased brights and/or acquisition issues. §USM stock. §\$Ungoted stock. \$Third narket. \$After adjustment for share consolidation. ◆For 7 months riod. Included special 0.88p.

#### **PUBLIC WORKS LOAN BOARD RATES**

	Effectiv	e Dece	mber 1	3		
	-	-		ine-quality later		
Years	by 2007	Att	malanda.	-	att	,
1			14 <sup>1</sup> e			14%
Over 1 up to 2	1334	13 5 <sub>8</sub>	1212	1434	145 <sub>8</sub>	13 4
Over 2 up to 3	12%	1234	11%	13 %	13 %	12 -
Over 3 up to 4	123g	124	115	133	13 4	123
Over 4 up to 5	12	11%	1112	13	12 %	12 4
Over 5 up to 6	11%	1134	113	123	124	11%
Over 6 up to 7	115	115	1114	1218	124	1134
Over 7 up to 6	1158	1112	11 <del>1</del> 8	12 <sup>1</sup> 2	12_	115
Over 8 up to 9	1112	113	10%	12_	11%	113
Over 8 up to 10	11%	113	1034	11 %	11%	1114
Over 10 up to 15	11 <sup>1</sup> 8	103	1038	115	1114	10%
Over 15 up to 25	10-2	10 4	10	11	1034	1012
O OF	103-	10	9%	105	1012	105.

†Equal instalments of principal. †† Repayment by half-fixed equal half-yearly payments to include principal § With half-yearly payments of interest only.

#### To Advertise PROPERTY TO RENT

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Further details from Richard Wallington, **TELEPHONE 01-873 3307** FAX 01-873 3064

# ERF up 42% to £3.74m but warns of downturn

By Kevin Done, Motor Industry Correspondent

ERF (HOLDINGS), the last remaining independent public-ly-quoted UK truck maker, increased its pre-tax profits by 42 per cent to £3.74m in the six months to the end of Septem-

ber.
The company warned, however, that the recent steep downturn in the UK truck market meant that it was now "suffering substantially lower levels of orders and shipments". It has decided to leave its interim dividend unchanged

at 4p.
The length and depth of the downturn was difficult to forecast, said Mr Peter Foden, chairman and chief executive, but he warned that it would but he warned that it would have "an adverse effect" on the company's profitability in the second half of the year. ERF's share price has already halved from a peak earlier this year of 505p to a recent low of 243p. The shares closed yesterday down 7p at 253n

253p. ERF has already taken steps to cut production and reduce its workforce in the face of a sharp fall in sales in the final

quarter of 1989.

The company has:

moved onto a four-day week since mid-November which will run at least until mid-Jan-

cut output sharply from a peak of 21 trucks a day (five days a week) in May to 15 a day in November and December (four days a week).

extended its Christmas/New Year plant shutdown by 8 working days to run from December 18 to January 5.

ERF has continued to out-perform most of its much bigger West European rivals operating in the UK

some 9 per cent or 100 people to a current level of 1,000.

In spite of the general downturn in the UK truck market, ERF has continued to out perform most of its much bigger West European rivals operat-ing in the UK and has made impressive gains in market share in the UK heavy truck

• reduced its workforce by

market (above 15 tonnes).

In the first 11 months it increased its UK registrations by 17.4 per cent to 4,144, compared with an increase in the overall heavy truck market of

6.2 per cent.

Its growth this year has been rivalled only by Scania of Sweden, and it has increased its share of the UK beavy truck

market to 11.1 per cent from 10 per cent a year ago. It is now in fourth place behind Leyland DAF. Volvo and Mercedes-

in the first six mouths ERF

in the first six months ERF truck sales, including exports, rose by 10 per cent to 2,158. Group turnovsr increased by 23 per cent to £88.16m (£71.57m). After tax profits were virtually unchanged at £2.37m as a result of a big jump in the tax charge to £1.37m (£250.000).

(£280,000).

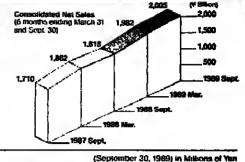
Previously the group had been sheltered from paying UK corporation tax as a result of the big tax losses accumulated during the crisis years of the early 1880s, when it was on the brink of financial colleges. early 1830s, when it was on the brink of financial collapse. Profits have recovered sharply in the last three years, how-ever, and the tax losses were exhausted in the second half of the 1838/89 financial year.

As a result of the tax charge, earnings per share fell to 24.13p (30.32p) per share.

Mr Foden said that first-half profits had also been helped by the results of its two whollyowned distributors in Manchester and Glasgow; by the sale of plastics pressing technology to China; and by the strong per-formance of its South African truck and bus assembly subsid-

# CONSOLIDATED SEMI-ANNUAL REPORT

Statement of Income	ffor the period April 1, 1989 to September 30, 1989) in Millions of You 2,004,687	
Net sales		
Cost of sales	1,315,748	
Income before taxes and	diminority	
interests		
Income taxes	72.964	
	62,855	
Net income per share	19.50 (in Yen)	



Balance Sheet	(September 30, 1989) in Militions of Yes
Assets	Liabilities and Shareholders' Equity
Cash and cash equivalents 641,059  Notes and accounts receivable, frade 895,367  Inventories 948,317  Other current assets 4:9,735  Property, plant and equipment 864,617  Other assets 778,347	Bank loans and current portion of long-term debt
Total assets4,547,442	Total liabilities and shareholders' equity4,547,442

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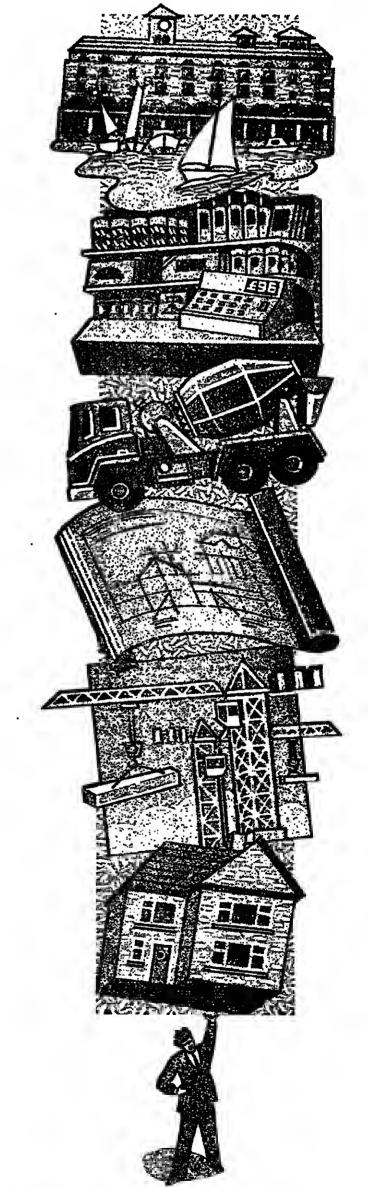
And as one of Britain's leading construction groups we design, manage and build a wide range of projects including some of the world's most demanding contracts. Added to all this is our growing strength in minerals and trading.

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This information has been approved by Tooche Ross & Co., who are authorised to carry out Investment Susiness by the Institute of Chartered Accountants in England and Wales.

#### HILLSDOWN HOLDINGS plc (Registered in England No. 971448)

Notice of an Adjourned Meeting of the Holders of the £150,000,000 4½ per cent. Convertible Bonds Due 2002 of Hillsdown Holdings plc (the "Bondholders" and the "Bonds" respectively)

In accordance with the terms and conditions of the Trust Deed dated 25th August, 1987 and the Supplemental Trust Deed dated 17th April, 1989 constituting the Bonds, notice is hereby given that the Meeting of Bondholders convened by Hillsdown Holdings ple for Trustaday, 30th November 1989 was adjourned through lack of quorum and that an Adjourned Meeting of Bondholders will be held at the offices of Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB on Friday, 28th December, 1989 at 10.15 am for the purpose of considering and, afthought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:

#### EXTRAORDINARY RESOLUTION

THAT this adjourned meeting of the holders of the outstanding 4½ per cent. Convertible Bonds Due 2012 (the "Bonds") of Hillsdown Holdings ple (the "Company") constructed by a Trust Deed dated 25th August, 1987 and a Supplemental Trust Deed dated 17th April, 1989, both made between the Company and Bankers Trustee Company Limited (the "Trustee") as trustee for the holders of Bonds, hereby

approves and sanctions the making by the Company at my time and from time to time of market purchases I within the meaning of section 163(3) of the Companies Act 1985) of its ordinary shares; and

approves and sanctions any modification, alteration, variation or abrogation of the rights of the holders of the Bonds as may result from the implementation thereof and authorises the Trustee to concur in, execute or do any act, document or thing necessary to give effect to this Extraordinary Resolution

during the period expiring on 29th November, 1995 or on the date of the Annual General Meeting of the Company to be convened in 1995 (whichever is the earlier) provided that the Company shall be permitted to complete a purchase of ordinary shares after the expiry of this authority if the contract for such nurchase was concluded before such authority has expired.

By Order of the Board B.C. Logg Secretary Dated 14th December, 1989

PRINCIPAL PAYING AND CONVERSION AGENT The Chase Manhattan Bank N.A. Woolgate House Coleman Street London EC2P 2HD

PAYING AND CONVERSION AGENTS

Chase Manhartan Bank (Suisse), 63 Rue du Rhone CH-1204 Geneva hase Manhattan Bank Luxembourg S.A. 5 Rue Plactis uxembourg-GRUNO

**VOTING AND QUORUM** 

A Bondholder wishing a strend and vote in person at the Adjourned Meeting must pruduce at that Neering the Bond or Bonds in respect of which be wishes to vote or a valid voting certificate or certificates issued by a Paying and Conversion Agent in respect of such Bond(s). A Bondholder not wishing to attend and vote at the Adjourned Meeting in person may either deliver his Bond(s) or voting certificates a to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the offices of the Faying and Conversion Agent set out above) instructing a Paying and Conversion Agent to appoint a proxy to attand and vote at the Meeting in accordance with his instructions.

Bonds may be deposited with any Paying and Conversion Agent or (to the sansfaction of such Paying and Conversion Agent) held to its order or under its control by Cedel S.A., or Morgan Guaranty Triast Company of New York (as operator of the Euro-clear System) or any other person approved by it for the purpose of obtaining voting cartificates or giving woting instructions in respect of the Adjourned Morting until 48 hours before the time fixed for such Meeting, but not thereafter, or the basis that all such instructions are, during the period of 48 hours prior to the time for which the Adjourned Meeting is convened, neither revocable nor subject to amendment, Bonds so deposited or held will be released at the conclusion of the Adjourned Meeting or upon surrender of the voting certificate(s) or, not less than 48 hours before the time for which that Meeting is convened, the voting instruction receipt(s) issued in respect thereof.

It should be noted that voting certificates or voting instructions which have been obtained or issued in relation to the Meeting held on 30th November, 1989 will remain valid for the purposes of voting at the Adjourned Meeting.

The quorum required at the Adjourned Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies (whatever the principal amount of the Bonds 50 held or represented).

Every question submitted to the Adjourned Meeting shall be decided in the first instance by a show of hands imless a poll is demanded by the Chairman of that Meeting or by the Company or by one or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fitted part of the principal amount of the Bonds for the imm being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is no present shall have one vote in respect of each £1,000 principal amount of the Bonds so produced or represented by the voting certificates so produced or in respect of each £1,000 principal amount of the Bonds so produced or represented by the voting certificates so produced or in respect of which he is a proxy.

To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-fourths of the votes cast thereon upon a show of hands or, if a poll is demanded, then by a majority consisting of not less than three-fourths of the votes test on such poll. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether or not present at the Adjourned Meeting and whether or not wring, and upon all couponholders.

Copies of the Trust Deed and the Supplemental Trust Deed, including the Terms and Conditions of the Bonds, referred to in the Extraordinary Resolution of Bondholders set out above will be available for inspection by Bondholders at the principal office of the Trustee, I. Appeld Street, Broadgate, London EC2A ZHE and at the offices of the Paying and Conversion Agents set out above. In accordance with normal practice the Trustee expresses no opinion on the merits of the proposal but has authorized it to be stated that it has on objection to the Extraordinary

The Board intends to exercise the power of the Company to purchase its ordinary shares only in encumerances where, in the light of market conditions prevailing at that time, they believe that the effect of such purchases will be to increase earnings per share and will, therefore, be in the interests of shareholders generally.

The current requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") limit purchases of ordinary states made through The Stock Exchange to a maximum of less than 15 per cent. of the issued ordinary share capital of the Company at prices not exceeding 5 per cent. above the average of the middle market quotation taken from The Stock Exchange Daily Official List for the 10 business days before each such purchase. In addition, the Company is complying with the current guidelines of the Investor Protection Communices of the lessing institutional investors regarding the purchase of its own ordinary shares.

A Special Resolution of the shareholders authorising the Company to make market purchases of up to \$2.9 million ordinary shares (representing signity) less than 10 per cent. of the issued ordinary share capital of the Company) was passed at an Extraordinary General Meeding of the Company held on 30th November, 1989. This shareholder authority will expire at the conclusion of the next Annual General Meeting of the Company. However, in order to maintain the Company's flexibility of action it a envested that shareholders will be asked to renew it annually. So as to tebeve the Company of the considerable administration involved in convening annual meetings of the Bondholders, the consents contained in the above Estraordinary Resolution will not require annual renewal but will be valid for six years.

plementation of the proposed power to purchase the ordinary shares of the impany should not adversely affect the conversion rights of the Bondholders. The rection's believe that any purchases of ordinary shares made under the authority pull be beneficial to the holders of ordinary shares and will, therefore, improve conversion prospects of Bondholders.



RESULTS FOR YEAR ENDED 30th SEPTEMBER, 1989

Turnover up 36%

Turnover increased from £24.96 million to £33.87 million.

Pre-tax profits up 29%

year - up from £7.54 million to £9.71

Final dividend 91/2 % making 121/2 % for the year.

Earnings per share up 28%

Copies of the illustrated report and accounts for the year ended 30th September, 1989 will be available after 24th January, 1990 from the Secretary, Baggeridge Brick PIC, Gospel End, Sedgley, Dudley, West Midlands DY3 4AA.

#### **UK COMPANY NEWS**

# ICI and Ciba-Geigy plan OTC deal

Goodman aims to reshape Irish dairy co-ops

Henry Barrett returns to the acquisition trail

**NEWS DIGEST** 

tiating table.

CIBA-GEIGY said yesterday that its proposed purchase of Neither side would disclose part of Imperial Chemical any price for the proposed deal. that its proposed purchase of part of Imperial Chemical Industries' over-the-counter (OTC) healthcare businesses would strengthen its position in an area it is determined to hulld red during the 100% build up during the 1990s.

The Swiss pharmacentical company hopes shortly to conclude the acquisition of ICTs

non-prescription healthcare businesses in the UK and the

Irish Republic which have

By Kieran Cooke In Dublin

MR LARRY Goodman, the Republic of Ireland's and Europe's leading meat proces-sor and exporter, yesterday announced ambitious plans for

announced amortous plans for further expansion into the Irish agribusiness sector.
Food industries, the publicly quoted company 70 per cent owned by Mr Goodman, issued proposals to amalgamate a number of milk coops in the north-aget of Iraland and so

north-east of Ireland and so create one of the largest dairy

groups in the country.

Under the proposals, four existing milk co-ops in the area will be amalgamated to form the United Dairies Group,

which will have a production capacity of more than 120m gailons of milk and sales of

more than I£200m (£190.22m).

By Andrew Bolger

"We want to change the face of the entire dairy industry in the area," said Mr David Dil-

HENRY BARRETT Group, the Yorkshire-based steel and industrial products company, has agreed to buy Don Reyn-

olds Holdings (DRL) for

DRL, which has its head-

quarters in Bradford, speci-alises in the design, manufac-

ture and installation of a

patented system of modular flat panel cladding and curtain walling for use in modern

steel-framed buildings.
DRL's patented system has

Chemring

£4.71m

cent to £4.71m.

in the year ahead.

69.2p to 76.7p.

15p share.

advances to

Group advanced 31 per cent in the year ended September 30 1989, but the growth in pre-tax profit was held back to 10.5 per

The group makes a wide range of defence and non-defence products. Mr Ian Fairfield, chairman, said the present industrial climate at home

and overseas did not lend itself

to over optimistic forecasting, but he was confident of growth

Turnover came to £28.88m (£22.1m) and profits to £4.71m (£4.26m). The dividend is raised

from 21.5p to 24.5p, with a final

of 16.25p, on earnings up from

**London Securities** 

pays maiden interim

London Securities increased taxable profits by 33 per cent from £1.14m to £1.52m in the

six months to September 30

and has decided to introduce an interim dividend at 0.5p per

Current orders were healthy and order prospects were con-sidered good, Mr Fairfield said.

The businesses are based around sales of Savion antiseptic skin cream and related

roducts.

ICI, Britain's biggest chemicals company, has said it wants to get out of these areas in the UK as they do not fit in to its mainstream activities in prescription medicines.

ICI said it would continue to selling its UTC activities in date.

Ciha-Geigy said the proposed acquisition would nearly double its UK non-prescription healthcare product sales, now running at £11m a year. It

ger, chief executive. He said

profit margins in the Irish dairy industry were "terrible" compared to those in Denmark

and the Netherlands.

The Food Industries proposals constituted a "friendly initiative" with the aim of rationalising the dairy industry,

improving profit margins and ensuring higher prices for farmer suppliers, he added. Mr Dilger said he hoped to have discussions with the man-

agement of the co-ops con-cerned over the next few weeks

and hoped to complete the

However, there are indica-tions that the managements of the co-ops involved in the pro-

posals are not entirely happy

with yesterday's announce

ment, and see it as a thinly disguised attempt by Mr Good-

man to force them to the nego-

applications in commercial and

industrial buildings, business parks and leisure complexes, its contracts this year include Terminal Three at Heathrow Airport, the Patent Office in

Newport and and phase two of the Royal Bank of Scotland's HQ in Edinburgh.

This is the biggest single acquisition so far by Henry Barrett, its fifth since 1989 and

the 13th since flotation in May

DRL vendors have war-

The contribution from

investments, including proper-ties, jumped to £1.97m (£901,000) and rents, interest

and dividends receivable put in £869,000 (£803,000). However, total costs surged to £1.32m

(£569,000). Earnings per share

\$23.5m preference share issue last June had further strength-ened the balance sheet. How-

ever, they expect investment

opportunities to ba best towards the end of next year.

Benjamin Priest up

5.5% but cautious

months to September 29.

Benjamin Priest, the speci-

alised engineering group, lifted profits by 5.5 per cent, from £3.28m to £3.46m, in the six

The directors were cautious on the ontlook, but said reduc-

ing bank borrowings had put

ing bank borrowings had put the group in a strong position at a time of high interest rates. Sales moved ahead 21 per cent to £52.78m (£43.49m) and trading profit was £3.61m (£3.63m); tha comparisons, however, included £2.74m and £245,000 respectively of Colin Stewart Minerals which was sold in March. The cash receipt from the sale was reflected in a

from the sale was reflected in a

reduction of interest charges

from £345,000 to £145,000. Mr Christopher Walliker, chairman, said the businesses

SALES AT the Chemring came to 1p (1.2p).

Crown advanced 31 ner cent in Tha directors said that the

amalgamation by March.

sell Savion products in other countries including parts of continental Europe, Australia, Taiwan and Singapore. It might decide, however, to enter into discussions about selling its OTC activities in

Furtharmore there is con-cern in many Irish circles about the growing influence of

Mr Goodman's companies, which are now estimated to

account for more than 4 per cent of the country's gross

national product.

Privately held companies controlled by Mr Goodman account for about 50 per cent of the Irish beef industry. His

companies also have a 20 per cent share of the country's grain handling and processing

industry.

Mr Goodman first became

involved in the Irish dairy

industry at the beginning of last year with the takeover of the small Bailieboro Co-op, the

first time big business had moved into the world of the

Irish co-op, which since Ireland's independence had

ranted pre-tax profits of £1.8m

for the year to December 31 on

The total consideration is

£10.8m, of which £1.4m will be

Henry Barrett yesterday raised £5m cash by placing shares with institutions at 230p

apiece. Of that sum, the DRL

vendors will receive £3m, and

£2m will be used to fund the relocation of the DRL business

to a larger, purpose-built fac-tory in Bradford. Henry Bar-

were sound and many contin-

ned to perform well, including

those beginning to benefit from major capital investment pro-

grammes over the last 12

But he did not see any imme-

diate upturn in the standard

Net profit fell to £2.25m (£2.38m) and earnings to 5.63p

(5.96p) after a full tax charge

(27.5 per cent). The interim dividend is held at 1.5p, adjusting for share consolidation.

Baggeridge builds

29% rise to £9.72m

Baggeridge Brick increased

pre-tax profit by 29 per cent in the year ended September 30 1989, and is raising its dividend

by a quarter. Mr Peter Ward, chairman,

viewed the result as particu-

larly satisfactory, as it was achieved against the back-ground of reduced demand for housing bricks in the second

Profits rose to £9.72m

(£7.54m), achieved on turnover ahead 36 per cent to £33.87m (£24.96m). Earnings worked through at 15.92p (12.41p) and the final dividend is 2.375p for

a rotal of 3.1250 (2.50).

Investments made at Kingsbury and Sedgley enabled the group to increase its share of the commercial and industrial

markets. They remained strong

and current order intake was buoyant, which more than compensated for lower housing

demand and start-up costs of the new Waresley factory.

a total of 3.125p (2.5p).

viced by two of the busines

design winch market or in domestic housing a sector serv

turnover of £15.7m.

deferred.

would also give a flagship brand based around the Savion name, the company said. The Swiss company set up its OTC healthcare division in 1983 and sales are now running at about £130m a year, roughly

half of which are in the US and

been controlled by the coun

try's many thousands of small

industries failed in a subse-gest milk processor. Food Industries failed in a subse-gest milk processor. Food Industries failed in a subse-

quent attempt to takeover another co-op. Mr Goodman has argued

that the small co-ops are ineffi-cient and in need of drastic rationalisation if they are to compete with other milk sup-pliers in Europe. He has made no secret of his plans to build Food industries into one of the

main players in European agri-business after 1992 and clearly

aims to gain control of valu-

able milk supplies within the EC quota regime.

rett shares closed 11p np at

258p. Mr Richard Barrett, manag-

ing director, said the aesthetic appearance and high technical

quality of DRL's system meant it was a high-margin business which would enhance the

group's earnings.

He added: "The acquisition
of DRL is an important part of

our ongoing strategy to broaden the base of the group and increase resilience to eco-

advanced brickworks in

Europe. It had a capacity of 2m bricks per week but that had not yet been exploited.

**Optometrics Corp** 

declines to \$125,000

Optometrics Corporation, the

USM-quoted company formerly

known as Optometrics (USA), suffered a decline in pre-tax profits from \$141,000 to \$125,000

(£78,000) in the six months to

The company, based in Dela-ware, designs and manufac-tures optical components and instruments for industrial and medical uses, for use with lasers and in fibre optics.

Mr Frank Denton, chairman, said that profits in the US rose by 44 per cent, but that the UK

subsidiary saw profits fall fol-lowing increased costs and sev-

eral production delays. He said that the UK arm was now trad-

Turnover showed a marginal rise to \$1.58m (\$1.57m) and earnings alipped to 0.9 cents

(1.2 cents) per share. There is no interim dividend.

Harrisons & Crosfield is to seek authority from sharehold-ers to buy up to 56.8m of its ordinary shares — about 10 per cent of its issued share capital.

The authority will expire at

the end of the next annual meeting and the directors

ing profitably again.

Harrisous

& Crosfield

otember 30.

nomic downturn."

In April this year Food

the rest in Europe. Ciba-Geigy was now in the top 20 companies worldwide in non-prescription healthcare products, the company claimed.

# Fuller Smith ahead 15% to £3.9m as beer volumes rise

By John Ridding

FULLER, SMITH & Turner, the west London-based brewer, yesterday announced a near-15 per cent increase, from £3.4m to £3.9m, in pre-tax profits for the six months to September

Directors said that the excep-

tional summer weather had helped the group achieve a substantial increase in volume sales of both its own brewed and other purchased beers. In particular, its own brewed K2 lager saw strong sales. Full-ers LA, its low alcohol bitter, met initial sales targets in bot-tle and has recently been intro-

duced on draught. The managed hotels and inns division increased profits by 14 per cent, and the wholesale and wine shop departments improved profits and sales despite experiencing a tough trading period. The group said that about

£250,000 had been spent on launching a new corporate image and redesigning packag-ing for its products.

The improvement in profits was achieved on sales up some 12 per cent to £28.79m (£25.58m).

Earnings per £1 A share climbed from 8.9p to

The interim dividend is lifted from 1.55p to 1.86p: a proportionate rise is declared for the 10p B shares.

MOORGATE INVESTMENT

Trust is raising its interim dividend to 3.2p (2.4p) from earnings of 5.52p (4.84p) for half year ended November 30 1989. Not asset value per share was

**NORCROS and Sarek Holdings** 

(UK) are to merge their joinery interests in a new company

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provide and the same

Resident State of the Control of the

called Crosby-Sarek. Norcros will acquire Sarek from Baltic Gruppen, its Swedish parent, for £2m cash. The new company will also include Norcros' Crosby doors and windows became the street was the company will also be seen that the street was the

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS

("EDR'S") W FLUITSU LIMITED

ses bought last year.

#### COMPANY NEWS IN BRIEF (9.64p). Interim dividend is. raised from 9.64p to 11.45p.

236.2p (228.3p).

ARCHIMEDES INVESTMENT Trust: Net asset value per capital share at October 31 was 496.42p (447.06p). Earnings per income share were 18.65p (14.7p). Final dividend of 10.25p (8.75p) makes 16.5p (14.55p) for the weet.

BRAY TECHNOLOGIES plans to sell Bray Lectroheat, its electric heating division, to Emerson Electric of the US for a total of £3.5m cash. Bray will concentrate on its core gas heating division. Bray Lectroheat made pre-tax profits of £53,000 in 1988.

BROOKS SERVICE Group has acquired Alpine Cleaning and its subsidiaries for £668,000 in

HI-TECH Leasing: An order for the compulsory winding-up of the Stratford-npon-Avon company was made by the High Court on December 12 on a petition by Banque Bruxelles Lambert, a creditor for £2.7m. MEYER INTERNATIONAL says its Dutch subsidiary has sold the pallet making business, Helvo, and two surplus properties for F1 9.1m (£2.9m). This reflects the strategy to focus on distribution of build-ing materials and timber,

M&G SECOND Dual Trust: Net asset value of capital shares, based on manager's middle quoted price of the M&G Divi-dend Fund income units on November 30 1989 was 474.53p (406.03p). Gross revenue was £1.52m (£1.29m) for the six months to end- November. Earnings per share 11.42

#### Correction Pict Petroleum

The Financial Times yesterday reported that Pict Petroleum has sold its offshore exploration and producing interests. This was incorrect. The com-pany has sold its onshore exploration and producing interests.

PLANTAL LIMITED

NOTICE IS PERROY GIVEN that PLANTAL LIMITED

paid a disclared of VALID orone por wheat on tell

December, 1986, by Sheepholdery of record data 3xis

September, 1986, this otherwise has pose convented
to U.S. Dollars and amounts to USAV.73 gross per Accordingle, (Galescott Benson Livillad as De-pository Informs holders of EDFR Stat hey should claim their devided by presenting Coupon Ro. 27 or or after 19th December, 1988, at the office of the depository In EDWORT IN amborg.
Coupons must be left for 3 clear business days for separabetion and may be presented on any week day (Saturday and public heidays excepted) during normal business hours.
Jananese withholding tax at the rate of 20 per

## Weekly net asset

record Capital Holdings R.V. as at 11-12 was USS 348.17 Listed on the Amsterdam Stock Exchange Information:

Picrope, Heldring & Picrope NO.

# U.S. \$200,000,000

#### MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Notes Due 2000

Interest Rate

Interest Period

14th December 1989 14th March 1990

89/16% per annum

Interest Amount per U.S. \$50,000 Note due 14th March 1990

U.S. \$1,070.31

Credit Suisse First Boston Limited

Agent Bank

U.S. \$200,000,000

#### **PNC Financial Corp** U.S. \$100,000,000

Floating Rate Subordinated Notes Due 1997

Mr Ward said Waresley was intend to thereafter seek to believed to be one of the most renew the authority annually.

In accordance with the terms and conditions of the Notes. the rate of interest for the interest period 14th December, 1989 to 14th March, 1990 has been fixed at 8%6% per annum. Interest payable on 14th March, 1990 will be U.S. \$214.06 per U.S. \$10,000 Note.

Morgan Guaranty Trust Company of New York London Branch

#### U.S.\$100,000,000 Guaranteed Floating Rate Notes due 1994 Citicorp Overseas Finance Corporation N.V.

rested with finished liquidly in the Netherlands A Unconditionally guaranteed by CITICORP® Notice is hereby given that the Role of Interest has been fixed at 8.75% and fluit the "mens" popular on the relevant interest Payment Date, March 14, 1990, against Coupon No. 44 in respect of US\$1,000 nominal of the Notes will be US\$21.88.

December 14, 1989, London
By: Crtibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCE

Compagnie Financière

de Crédit Industriel et Commercial Floating Rate Notes Due 1997

Notice is hereby given that the interest payable on the relevant interest Payment Date, May 15, 1990 for the period November 15, 1989 to May 15, 1990 against Coupon No. 10 in respect of US\$50,000 nominal of the Notes will be US\$2,701.65.

December 14, 1989, London By: Cribank, N.A. (CSSI Dept.), Agent Bank

The Chase Manhattan Corporation U.S. \$400,000,000

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The Financial Times proposes to publish this survey

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**FINANCIAL TIMES** 

Floating Rate Subordinated Notes due 2009 For the three months 8th December, 1989 to 8th March, 1990 the Notes will carry an interest rate of 85% per annum with a coupon amount of U.S. \$214.06 per U.S. \$10,000 Notes, payable on 8th March, 1990.

Bankers trust Company, London Bankers Trust

Crossland Savings, FSB U.S. \$100,000,000 Collateralized Floating Rate Notes, Series A due December 1997

For the three months 8th December, 1989 to 8th March, 1990 the Notes will carry an interest rate of 81% to per annum with an interest amount of U.S. \$2,203.12 per U.S. \$100,000 nominal. The relevant interest payment date will be 8th March, 1990.

Listed on the Luxembourg Stock Exchange

Bankers Trust Company, London

Agent Bank



Increased pre-tax profits for ninth consecutive

Dividends up 25%

Earnings per share increased from 12.41p to 15.92p.

Agent Bank

#### **UK COMPANY NEWS**

# Bulmer vaults to £7.6m as hot summer buoys sales

HIGHER advertising expenditure and good summer weather helped HP Bulmer, the Hereford-based cider maker, lift pre-tax profits 20 per cent to £7.64m in the half year to

Increased sales of all brands
taking in Strongbow and
Woodpecker cider, Petrier and Buxton waters, Orangina fruit juice and Red Stripe lager — helped operating profits rise 35 per cent to £10.18m (£7.51m) on turnover ahead 25 per cent to £121.07m (£96.76m).

Interest payments rose from £1.17m to £2.53m. Mr Esmond Bulmer, chairman, said that the squeeze on consumer spending from interest and mortgage rates was likely to have an effect on the group's Christmas trade. He added, however: "We

remain confident that the heavy investment behind our brands will continue to show through in improved sales and

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Operating profits on cider and fruit juices were 52 per cent higher at 26.81m, with a similar increase on wines, spirits and other drinks to

Sales of pectin — used in a wide variety of foodproducts — were limited by production capacity and profits on the operation fell from £1.33m to £1.14m. The group is now investing £2m in expanding the Hereford plant.

Bulmer's Australian drinks business facing tougher combusiness, facing tougher com-petition, saw profits cut by two thirds to £120,000.

dend is raised to 2.88p COMMENT

6.4p to 7.9p. The interim divi-

Bulmer's bold decision last year to double its advertising spend to film, plus the added luck of a good summer, does seem to have revived a flagging cider market and improved the company's share of it. Draught cider sales were up by 12.6 per cent over the first nine months of this year. Bulmer estimates its brands Bulmer estimates its brands grew 19.4 per cent, more than twice the rate of its competitors. Raising the Stronghow profile to match the heavily-advertised lagers which are its real competitors may also pay off in the post-MMC free trade. Analysts who have lived through previous cider revivals, however, remain cautious, forecasting full year profits of forecasting full year profits of £13m and a prospective p/e of

# ASW believed to be considering expansion moves

By Nick Garnett, Northern Correspondent

ASW HOLDINGS, the Cardiff-based steel-maker floated at the end of last year, is believed to be considering a number of expansion moves, including the purchase of a steel producer in continental Europe and some form of diver-sification in the UK. Mr Alan Cox, chief execu-

tive, declined to make any comment yesterday about such proposals, but ASW's manage ment structure was altered recently to allow a small group of managers more time for strategic planning. Analysis believe that if the

company does diversify in the UK, it might go for a processing company, possibly in construction materials, plastics or

ASW was formed in 1981 from the pooling of some of the rod, wire and nail interests of GKN and the former British Steel Corporation. In 1987 it was the subject of a manage-ment and institutional buy-out. The company, which has steel-making and rolling facilities in Cardiff and a rod mill in Sounthorpe, is 20 per cent-owned by British Steel with

Blenheim to

acquire Database

Blenheim Exhibitions is acquiring Database Exhibitions for an initial £875,000 and a fur-

ther possible 25m cash, depend-

ing on profits.
Database was formed in May

1988 to run the exhibition activities of its sister company, Database Publications, which

publishes five magazines.

It now organises a portfolio of computer-related exhibi-

tions, and Blenheim said it fits well with its portfolio.

the employees having about 13 per

ASW has been a successful cash generator for a number of years and all the £60m debt at the time of the buy-out has been paid off.

It made a pre-tax profit of 230.9m on turnover of 2392.6m in the year to end-December 1988 and a pre-tax profit of £20.1m on turnover of £235.1m for the half-year to June this Mr Cox has ruled out moves

into steel finishing businesses.
"Our strategy has not been for the acquisition of companies in downstream steel activities," he said.

About 40 per cent of ASW's total sales are of bar and coils for the construction industry Its sales are biased towards heavier civil engineering rather than the more sensitive housing market.

The company, where profits per employee have risen from £300 in 1983 to £11,000 last year, will sell about £100m-worth or its products in continental Europe this year, compared with just over £40m two years

Teredo Petroleum, formerly Marinex Petroleum, saw profits

fall from £110,000 to £91,000 in

the year to September 30 on turnover of £905,000 (£596,000). However, this was an improvement on the first half which incurred a pre-tax loss of £50,000 on turnover of

£286,000.
Costs related to USM listing were £99,000 (nil), leaving a net

loss for the year of £8,000

(£110,000 profit).

Teredo recovers

in second half

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Mainz, November 1989

A majority interest in

Lenties AG, Düsseldorf

has been acquired

from

Ferdinand Lentjes-Stiftung, Düsseldorf

Ferdinand Lentjes-Industrieholding, Düsseldorf

Metaligesellschaft Aktiengesellschaft

Frankfurt am Main

The undersigned acted as financial advisor to and assisted in the negotiations

in this transaction.

## GF Lovell returns to the black

GF LOVELL's move into the building sector with the £20m acquisition of four building materials companies in August was reflected in results for the six months to September 30. The company has moved back into the black with just a one month's contribution of £252,000 from the building divi-

The confectionery side, however, remained in the doldrums producing an increased loss of £125,000 (£86,000). Group taxable profits amounted to £127,000 against a loss last time of £86,000.

Mr Peter Woodman, chairman, said the original confec-tionery business experienced

of investment management ser-

Colonnade is offering the

Investment and be granted per-

difficult trading conditions in July and August as demand fell during the exceptionally

Earnings per share rose from

The business has, since October, traded as Lovells Confec-tionery and Mr Woodman said that recent acquisition of Bel-mor Confectionery would pro-vide a major boost to sales, the lack of which has been a major reason for the poor performance of the confectionery business in the past.

Belmor, which manufactures a niche range of quality confec-tionery, will also provide sig-nificant scope for profits growth.
While the trading outlook

was uncertain, Mr Woodman concluded, demand in the mar-kets in which the Lovell group operated were holding np

Group turnover amounted to £4.64m, with £2.65m coming from building materials and the remainder from confectionery. Earnings per share were 4.9p (loss 6p). An interim divi-dend of 2p is declared – last year there was a single pay-ment of 2p.

Lovell is now quoted on the USM following the acquisition of the building materials companies, one of which only had a three year trading record.

## NMC profits advance 34%

ahead from £36m to £83.97m, the pre-tax result was £5.39m

the opportunity of joining the company on a full-time basis: these executives would acquire In the year to October 31, Collonade's net asset value has the 8.7 per cent holding in Col-onnade held by British and Commonwealth Ventures risen to £1.93 from £1.82. Pre-tax profits totalled £287,660 compared with £93,133 for the formance-related options to subscribe for shares in Colonprevious 7 months period; after tax of £51,321 (£23,324) earnings

Colonnade would acquire BCDC for £120,000 cash. It would assume management of BCDC and a limited partneris 3.2p (1.2p).

unveils reorganisation plan to £5.3m

reorganise the company.

They said that the share price had fallen to a 33 per cent discount on net asset value and British and Commonwealth Holdings, the ultimate parent company of B and C Development Capital, Colonade's investment manager, may shortly no longer be in a position to provide continuity of investment management ser-

Computer Service for £2.34m

per share amounted to 4.68p The final dividend proposed

THE DIRECTORS of ship, of which BCDC is the Colonnade Development Capital, which obtained a listing in October 1988, have decided to \$25,000 cash.

shares in Colonnade.
Collonade would enter into a contract to manage a £9.5m portfolio of investments owned by ECVI, which is currently managed by B and C Ventures. It would also acquire BCVI's holdings in Verson International Group and Sherwood Computer Service for £2.3m

**Colonnade Development** 

NMC Group, which has interests in paper and plastic ackaging, the printing industry and property development, amounced a 34 per cent rise in pre-tex profits for the half year ended September 30. On turnover 78 per cent

The directors said there had been some slackening of demand in the packaging sec-tor, and in some areas an excess of capacity in the mar-

rate rises had affected demand in the commercial market gen-erally although the market in Kent, where the company operated, remained relatively

active.

The interim dividend is being increased from 1p to

6.21p (6.16p) basic and 5.97p (5.95p) fully diluted. The tax charge rose from £1.4m to

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'In the last three years, Tootal has built an impressive worldwide threads business, and is close to breaking free from the cyclicality that dogs British textile companies. THE TIMES 3.10.89



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#### **COMMODITIES AND AGRICULTURE**

# cuts in fishing quotas

By Tim Dickson in Brussels

DEEP CUTS in the quotas for North Sea fishermen next year were among proposals formally agreed by the European Com-mission last night.

Details of the package which is certain to provoke a heated political battle when EC Fisheries Ministers debate it next Monday and Tuesday -were still under official wraps tions with Norway over catch managed waters have not vet

The Norwegian talka – always a difficult curtain-raiser to the EC's own decisions on the levels of the so-called Total Allowable Catches - are just one part of the international dimension which officials in Brussels believe will considerably complicate next week's EC

With their own fishermen facing severe financial difficul-ties. Britain and West Ger-many are anxious that conces-sions to Oslo are kept to the minimum, while elsewhere the Spanish Government is unhappy about an agreement which has been struck with Canada over the Community's share of fishing in zones of the North Atlantic Fisheries

Organisation.
This is of prime interest to Spanish boats but the quanti-ties involved have been much

reduced.
The underlying problem in

the Community is that the the Community is that the steady decline of EC stocks in the last couple of years — notably in the North Sea — has not been matched by a slimming down of member states' fleets. Despite scientific advice that conservation and a reduction in the fishing effort is the only long term solution, the long term solution, the Commission has come under fierce pressure from fishing lobbies in the last few weeks not to be too harsh with its

proposals.
The detailed TACs agreed yesterday — which cover a wide range of species — never-theless reflect hig cuts in the quotas for North Sea white fish such as cod, haddock and her-

# EC Commission seeks big | Wool-growers consider self-imposed tax rise

By Chris Sherwell in Sydney

AUSTRALIA'S WOOL-growers, caught by weakened interna-tional demand and a costly floor price scheme, are considering a higher local wool tax to expanding domestic pro-

The plan is the latest esponse to unexpectedly rapid developments in the wool mar-ket which have left the Austra-lian industry, the biggest in the world, feeling gloomy and

having to make a profound mental adjustment.

When the auctions stop for the Christmas break today, the Australian Wool Corporation, which operates the interventionist floor price scheme, will have built up a stockpile of some 1.8m bales of wool. It has already begun drawing on a specially-erranged A\$500m line

PROJECT that will add

A about 8 per cent to world supplies of sili-

con metal and takes Australia into this fast growing business for the first time has just

started up and first deliveries will take place early next year. Barrack Mining, a Perth-based group, is so confident about the future of its project that it

already is seriously consider-ing another phase which would lift silicon output from the cur-

rently proposed 50,000 tonnes a year to about 84,000 tonnes.

The company became involved in the A\$120m (£59m)

scheme only two years ago but already has decided to rush

ahead with a second phase to double ontput by 1992, from the initial 25,000 tonnes, at a

cost of A\$90m. More than half the first-

phase production has been

committed to seven-year contracts with two companies. Thyssen Handesunion of West

Germany and Dow Corning, a US group which has been working with Barrack on the

development under a technol-

ogy agreement. Barrack is confident that 15

per cent of production will be

delivered to Japan and other rights have bean reserved to

sell product into the UK, France, Italy and to other US

Silicon is a light Instrous grey metal which, once further

processed or alloyed with alu-minium, is used in about 4,000

everyday products ranging from cylinder beads and

polishes to surgical aids and

Barrack's project is designed

specifically to turn out chemi-

cal grade or metallurgical

grade product. The company

says the most rapidly growing segment of the market is in the

chemical industries' use of sili-

At the start of the 1989-90 season in July, the AWC's coffers were bulging and its stockpile was virtually exhausted after the strong demand and record prices of the previous season. But a reactive switch in the market to other fibres, and the withdrawal of key buyers like China and Japan, has

ers like China and Japan, has prompted a sharp reversal.

At the current floor price of \$70 cents per kilogram (clean) — the same level as 1938-39 — the AWC has regularly been buying in 50-60 per cent of all offerings. Yet rather than consider lowering the floor price — something they have never done — wool-growers are considering increasing the maxisidering increasing the maximum tax rate they pay on gross wool revenues - the so-called wool tax. The pro-

ceeds of this are used to sup-

port marketing programmes and research and development as well as the floor price as well as the hoor place scheme. Currently the maxi-mum rate is 10 per cent, but the actual rate is 8 per cent, of which half goes on market support operations. The proposal under consideration is to lift

under consideration is to lift the maximum to 15 per cent.

The pressure to do something to curb production is growing all the time. The AWC's 1.8m-bale stockpile figure is close to the 1974 record of 1.9m, but is larger in terms of kilograms produced because the bales are now bigger. As a percentage of the total crop, it is smaller because production is so much greater now.

According to the AWC, the According to the AWC, the forecast output of shorn wool this year is still moving

upwards. in October it was put

Barrack sees big future for silicon project

at 961m kg, up 8.5 per cent on the previous year. The indus-try's national forecasting com-mittee is due to meet soon to revise that figure, and it could show an increase of 10 per cent

on the year.

At the same time forecasts for export earnings from wool are falling. In 1988-89 wool earned a record A\$6bn. In October the projected earnings for 1989-90 were put at A\$4.9bn. The forecast now is just A\$3.5bn, with significant impli-cations for the country's chronic balance of payments The AWC's A\$500m facility,

organised by the Westpac Bank, could itself run out by February. The corporation has the capacity under its existing statutes to borrow up to half its net assets, and even more provided the relevant govern-ment minister approves. The current expectation is that another borrowing will become

On the other hand, the AWC on the other hand, the Avocalse expects the second half of the selling season to be better than the first, if only because that is the normal pattern. Offerings are usually less, and northern hemisphere demand to firmer for seasonal reasons. is firmer for seasonal reasons, especially if stocks have been run down.

run down.
Against this, there is little
prospect of China coming back
into the market. And while
lower stock levels in Japan and perhaps Europe may help the market, the real problem fac-ing the industry is that other fibres have gained ground and weakened final demand for

# LME criticised over zinc move

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange executive committee came in for some criticism yesterday for intervening in the zinc mar-ket to prevent what the LME described as "an undesirable aituation" developing in its zinc contracts.

Mr David King, the LME'e new chief executive, told ring trading members after yesterday's official morning rings that dealers' trading cards, together with named client positions in the high grade and special high grade zinc con-tracts, would be called in today for scrutiny by the exchange'a Last Friday the LME

ed a limit of \$20 a tonne on the daily backwardation (premium for cash metal over forward prices) on the zinc

This action followed hectic activity in the zinc market last week. Some analysts suggested that this was not caused by any carefully-engineered squeeze but by a number of factors. These included the fact that some European traders gain tax benefits from having metal in stock at their finan-

cial year-end in December. There were also suggestions that some European zinc com-panies were having production prohiems which had left the market short of physical metal. The possible technical tightss of LME zinc supplies from mid-December into January prompted other traders to hold on to metal to cover potential commitments against options maturing on December 21.

Analysis said the LME executive acted quickly to prevent a sharp but short-lived rise in the cash price of zinc around December 20 which would almost certainly have attracted adverse publicity at a time when the exchange is attempt-

ing to establish the new Special High Grade zinc contract. The LME has frequently made it clear in the past that it would take action to maintain an orderly market and obviously was concerned that it might be very difficult to deal with problems at the height of the Christmas holiday period. However, some analysts suggested the LME's action

was possibly too hasty. It would limit the cost to those organisations which had deliberately gone short of zinc and "nobody should go short of metal unless he is prepared to take the consequences," said one analyst last night.

Dealers say that by examin-ing trading cards the LME sec-retariat will be able to establish who is long of zinc, who is short of the metal and by how much and whether the problem could be resolved or was likely

# Conference warned of eggs shortage

By Geoff Tansey

AN EGG shortage early next year and the elimination of most independent and freerange UK egg producers over the next few years was forecast at a recent conference organised by the Food Policy Research Unit at the University of Bradford.

Egg sales "are about 10 per cent below this time last year but prices are at an all-time record," Mr Richard North, consultant to the UK Egg Pro-ducers Association told the monisation of rules in the EC. conference, entitled Poultry -Current Problems and Future

He accused the Ministry of Agriculture of terrorising the industry through the zoonosis order, which requires slaughter for salmonella-infected lay-

The ministry did not pay adequate compensation, sample the flocks scientifically, provide sufficient information, or kill the birds humanely or in a way that did not destroy evidence for the necessary research into salmonella, Mr

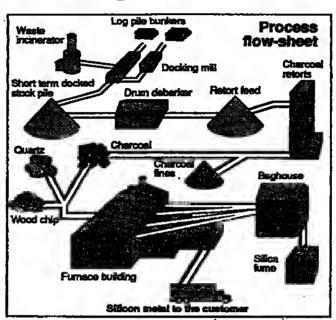
Others called for imported poultry and eggs to be subject to the same controls as those While salmonella contamination in eggs was said to range from about 0.03 per cent - five in 17,000 - to 1 in 300 from a 100 per cent contaminated flock, Mr North claimed that up to 60 per cent of broilers were con-taminated. This rose to nearly

80 per cent of frozen chickens, according to Mr Will Waites Professor of Food Microbiology at the University of Nottingham and a member of the Food Safety Advisory Centre. "With these carriage rates

on carcasses we must be aware we are handling something that can lead to food poison-

ing," he said.

In Sweden, chickens now carry a health warning about the need to cook thoroughly according to Ms Agneta Alderin, a senior vet from Kal-mar. The Swedes have reduced the incidence of salmonella in brollers to less than 5 per cent, she said, through a flock testing programme, slaughtering policy, producer, transport and processor hygiene rules.



con as the major feedstock in the synthesis of intermediate products known as silicones. From the basic silicone intermediate products a wide variety of silicone resins, lubricants, elastomers, anti-foaming compounds and water repellent

compounds are manufactured.
Silicone products are non-toxic, water resistant and chemically inert — important features in a world becoming more concerned about its envi-ronment," says Mr David Paice, Barrack's managing director. He says that automoopments have been showing a combined demand growth of more than 4 per cent a year, with the expanding economies of Asia and the Pacific rim providing much of the impetus. Barrack's market research suggests that demand for quality

allicon metal will outstrip sup-

**US MARKETS** 

IN THE METALS, gold futures fell

Drexel Burnham Lambert. The

412.90. Silver and platinum were do

on spillover setting from gold. Copper rebounded higher from commission

house and local ahort covering. In the

sharply due to massive long liquidation after several up sessions, reports

**WORLD COMMODITIES PRICES** 

ply by 1991-92. Barrack's plant is on a new industrial complex, Kemerton, 165 km south of Perth, All three main raw materials it requires are within easy reach of the facility, a benefit not available to any competitor, suggests Mr Paice. White quartzite comes from Barrack's quarry at Moora, 345 km from Kemerton, and the reductant used is charcoal produced from a unique local hardwood, Jar-rah. The charcoal is low in ash, particularly low in impurities and its electrical properties are Mannesmann Demag snbmerged arc furnaces - due to be started up in December will have the lowest specific power consumption of any similar furnaces in the world,

according to Barrack. Even so, Barrack will become the hig-

gest private buyer of electricity

from Western Australia's State Energy Commission. However, when Barrack acquired the silicon project for A\$14m in 1987, a 20-year contract with the Commission for

very low-cost powar was included in the package — a contract signed when the Com-mission believed, wrongly as it turned ont, that it would have a huge surplus of energy avail-able from the development of the North West Shelf oil and

Mr Paice says the project will produce silicon in the lowest cost quartile of silicon pro-ducers thanks to the low cost power and the local availability of raw materials. Initial production costs are estimated at A\$1,400 a tonne, dropping to A\$1,250 in 1991. This compares with the current retail price for

chemical grade silicon of about US\$1,250 (A\$1,600) a tomne. Barrack raised A\$86m of non-recourse project finance from a syndicate of interna-tional banks for the scheme. To reduce its exposure to exchange rate fluctuations it has hedged 25 per cent of future sales proceeds to August 1998 at an average for-ward rate of 67.73 US cents/A\$.

Mr Paice says his company could also have signed long term contracts for more than 55 per cent of the initial phas production but that was all it required to be sure of covering production costs. He says confidently that in

1990, when output hits the first annual target of 25,000 tonnes, Barracks pre-tax profits, which in the year to last June nearly doubled to A\$31.8m.

By 1995 silicon should be contributing about 25 per cent of the company's profit, copper another 25 per cent and the rest will come from its gold production, which according to

Kenneth Gooding on a new operation that will add 8 per cent to world supplies Mr Paice is destined to rise from about 100,000 troy ounces this year to 500,000 ounces Mr Paice auggests that demand growth for silanes, intermediate silicon products, is so strong that before long the world will need a new production facility. "We would love to have that plant here in Western Australia," he adds

and points out that the State is geographically well positioned to service growing demand from the Pacific Basin. Barrack would also be prepared to be involved in such a project, which would need fur-ther investment of more than A\$700m. But no matter who built the facility, if it was in Western Australia it would require Barrack to lift annual

Barrack is part of the Barrack House group, controlled by Mr Dennis Horgan, an entrepreneur who remains untainted by the many difficulties currently troubling some prominent Perth busines

silicon output to about 84,000

The silicon project will, from the outset, generate an extra A\$65m a year in Australian exports and Mr Horgan points out: "The future of our country and Western Australia - and also of Barrack - lies in increasing the value of our exports. Where possible this must be achieved by adding value rather than merely

increasing volume of exports.

The silicon plant is only the first stage of an ideal opportu-nity to add value. We are on the initial stage by, firstly, doubling capacity to improve our competetive position and, secondly, using this competi-tive position to plan for adding value by further downstream processing of our silicon in a new business producing silanes in Western Australia."

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2

# LONDON MARKETS

GOLD prices came under pressure on

the buillon market yesterday, and many dealers continued to trade after the normal end of business quote had been given. Chert-based selling and ollar'e recovery from early losses both contributed to the sharp decline. Dealers said further losses were possible in the immediate future, remained intact. On the LME copper prices rose charply towards the close. which established e substantially oversold position and led to a wave of nervous short covering when Comex staged e sudden rally, traders said. Analysts said the market appeared to be making e technical correction as bearish fundamentals remain

and any or a		
SPOT MARKETS		
Crude off (per barrel FOB)		+ or -
Dubai	\$15.55-6.952	
Brent Blond W.T.L (1 pm out)	\$19.55-9.70z \$20.73-0.76z	07
Off products (NWE prompt delivery per k	onne CIF)	+ or -
Promium Gasoline Gas Oil	\$191-193 \$221-222	+1
Heavy Fuel Oil	\$117-119	+1
Naphtha Petroleum Argus Estimates	\$174-175	+3
Other		+ 07 -
Gold (per troy oz)	\$411.75	-5.50
Silver (per troy ez)	559c \$511.60	-11
Palladium (per troy oz)	\$139.05	-1.16
Aluminium (free market)	01630	+30
Copper (US Producer) Lead (US Producer)	108 1-112c	-12
Nickel (free market)	415c	+ 16
Tin (Kuela Lumpur market)		+ .16
Tin (New York) Zinc (US Prime Western)	329c 73 4 c	+ 15
Cettle (live weight)†	116.00p	+ 1.96*
Sheep (dead weight)† Pigs (five weight)†	199.26p 86.73p	-12.82
London delly auger trawn	\$333.0x	-1.60°
London delly sugar (white)		+4.6
Tate and Lyle export price		+2.0
Sariey (English lead)	£116.5	
Maize (US No. 6 yellow) Whost (US Dark Northern)	€129.5 €132.0	+ 1.0
Rubber (spot)♥	54.75p	
Rubber (Jan)♥	57.25p	
Rubber (Feb) P Rubber (KL RSS No 1 Jenj	58.25p	-1.9
Coconut oil (Philippinos)5	\$422.5x	-2.5
Paim Oil (Maleysian)§	\$270.0	-6.0
Copra (Philippines)5	\$250	
Sayabeans (US) Cotton "A" Index	C159.0x 77.20c	-2.6 + .15
Wooltope (64s Super)	676p	

everage fetstock prices. \* change from a ago. WLondon physical market. §CIF Rot-

				_
6060		lou POX		OTTE
_	Closu	Previous		
Oec Mar	680 653	680	685 680 867 662	
Mey	664 679	677	678 663	
Sep	694	684 696	705 693	
Dec	710 735	721 740	678 663 692 553 705 693 727 716 745 737	
Mer	7000 4		-4 40	_
1000	indicator	prices (SD	Re per tonnel.	Jaily
price i	or Dec 13 c 14 760.7	701.01 (77	Re per tonne). ( 5.95):10 day ave	rege
COFF		den FOX	403	NAME OF
	Close	Previous	High/Low	
Jen Mar May	662	860	664 651 663 661 675 664	
Mar	662 678	659 651 672	663 661	
-368	684	006	692 660 710 701 725 720	
Sep	712 727	708 725	710 701 725 720	
- Lar	747	745		
Turnov	er: 3162 (	3109) lots	of 0 tormes pents per pound (62.20), 15 day s	
Dec 12	dicator pr t: Como. d	ices (US (	ents per pound) (62.20). 15 day s	VOI
age 81	.35 (61.30)			
SUGA	R - Lond	ee POX	te ber so	me)
Remo	Close	Previous	High/Low	
Mar	304.00 204.40 301.60 293.80	302.80	907.80 303.00 307.20 304.00 304.40 302.00 298.00 294.00 295.00 295.00 282.00 279.00	
Aug	301.60	303.20 301.80 283.20	304,40 302,00	
Aug Out Oec	291.80 279.60	291,80 278,80	295.00 295.00	
Mes			262.00 279.00	
White	Close	Previous	High/Low	
Mar May	372.00 378.00 386.50 360.00	373.00 379.60	374.00 372.00 380.50 378.00 389.00 385.50 361.00 358.50 350.00 349.00 350.00 350.00	
A	386.50	379.50 387.80 360.60	369.00 385.50	
Oct	350.00 350.00 350.00	349.00 349.00	350.00 349.00	
Mar	350.00		350.00 350.00	
Turnov White	er: Asw 2	532 (3398	lots of 50 toru	199.
Paris-	White (FF	r per ton	ne): Mer 2220, 1 Dec 2120, Mer 21	May
CHUDI	E Off. — H		\$/64	114
	Clos		us High/Low	
Feb Mar	19.22 18.82	18,77	19.28 19.16 18.88 18.80 18.75 18.60	
Apr IPE Inc	18.56 lex 19.06	18.53	78.75 18.60 19.08	
	er: 5315 (2	_	12.2	_
QAS O			3/to	nne
	Close	Previous	High/Low	
Jamo	209.25	219.75	215.25 208.00 201.00 194.00 167.25 161.50 175.25 169.00 170.50 164.75	_
Jan Feb Mar Apr May Jun	195.25 181.50	197 <u>.2</u> 5 184.75	167.25 161.50	
Apr	181.50 181.50 186.50 185.00	184.75 172.00 165.25	175.25 169.00 170.50 164.75	
Jun	159.60 169.75	162.00	170.50 164.75 164.75 169.00 162.00 162.00	
301	109.70	161.60	100 tonnee	_
LUTTION	er 10120 (1	Manjioti V	100 2000	
				_
WOO	DL to in the A	miralian W	loni Corporation's	. !
meri	cet indicate	r of only 1	lool Corporation's cent, taking it to set all price	
879,	hes at lee: moents do	not invert	est all price ably fevour the	- 1
buye	r in the wo	ol market.	Finer morino	1
Ingre	o met with	sumplent cont or two	set all price bibly fevour the Finer morino demand for: I in selling prices change in the s. With the nt and AWG if the second ball d see a chance is	
to ca	use the fir	at upward	change in the	
Chris	rimes rece	as immine	nt and AWC	ı
comi	nent empl	asising the	t the second half	_

	Clos		Previous	High/Low	(Prices suppli			cione	_	n Intere
Alumb	_~		(\$ per torme)				-			.325 to
Cest	1641		1615-20	1683/1690	1933-4					
2 mout			1015-20	1636/1625			635-6	1	25,6	79 lots
Coppe	Grade /	(C per t	onne)				Rin	g prw	over 37	,850 to
Cash	1525		1471-8	1405/1404						
6 mont	per tons		1487-8	1535/1493	1400-500		534-C			02 lots
Costs	450-	_	434-6	455/430	455-7		Per	my aur	NOVE I	,350 kor
2 mont			425-7	438/429	437-7.5		34-5		11,13	ST lots
Michael (	3 per ton	ne)					Phi	ng tur	nover 1	,554 tor
Casa	\$200	-300	8800-800 8050-75	9200	8950-50 6140-60		4.			
2 mont			8050-75	6200/6075	6140-60	_ (	1100-5			i fots
Coup (a p	er tonne) 7130		6850-60	7140			- (40)	of par	never 4	,450 to
S monti			6940-50	7275/7050	7140-50 7210-20	7	270-6		5.597	lots
		A Grade	(\$ per tonne)							175 tor
Cesh	1570		1485-05	1550/1540	1545-80		-			
3 mont	he 1405	-6	1385-90	1415/1390	1412-6	1	400-2		15,80	2 Jobs
	per tonne	<del></del>					Pá	की इंगा	nover 1	,360 tor
Ceah 6 mont	1625 no 1385		1470-80 1370-80	1380	1465-500 1975-80		380-8		170	Total
	A2 paleo		- Or V-OV	1004	1910-00		JUD-0	_	1,7 41	ruce
SPOT:	.5900		6 months: 1.5	734	0 months:	1.5476			9 mon	the 1,5
	0E3 - 8				I OWNER -					
PUIAT	Close	Previo	us High/Low	£/lonne	TONDON S		_	-AET		_1
Арг	205.8	209.4	208.5 208.		Gold (fine oz		_		2 equh	_
May	231.6	233.5	232.0	~	Opening	4112			258-k-2 259-258	
	w 285 (17	(a) lots o	40 tonnes.		Morning fix	417.19	, -		239.27	3
					Afternoon fix Day's high	413.00			257,193	
NOV-	EAN ME	A1 - =		2/sonne	Day's low	4101	411			
	Close	Previo		- Jan					0	-1
Feb	130.50	141.50	139.00		Coins	\$ pric			£ equiv	
Apr	140.00	140.80	140.50 140	0.00	Mapielesi Britannia	420-4	5		262-265 262-266	
Jun Turnana	139.50	140.00	139.00		US Eagle	420-6	*5		262-265	5
( UTTOVE	F 65 (5)	ou or 2	DINNEL.		Angel Krugerrand	411-4			285 4-2 256 7-2	
		-		10.00.00.0	New Sov.	93-10X			61-82	
- HERE	מדעיו זו			dex point	Old Sov. Noble Plat	85-100 617.65			61-62 322,20-4	327.30
Dec	1610	Previou 1609								
Jan	1645 1685	1645 1664	1615 1616 1662 1645 1663 1663		Silver the	p/fine			US ets	<b>BGUIY</b>
Apr Jul	1685 1418	1404	1668 1663		Spot 6 months	352,85			366.60 678.36	
3F1	1603	1684	1603		6 months	379.90			590.10	
Turnove	r 112 (23	2)			12 months	404.26			513.40	
					TRADED OF	TOUS				
NAME:	- 1072			E/lignne	Aluminium (9	9.7%)	C	elis		Puls
Theat	Closes	Previou	s High/Low		Strike price \$	tonne	Jan	Mar	Jan	Mar
Jen Mar	113.55 118.80	113.40	113.50 113	3.35	1550		101	106	2	21
day.	120.40	115.80 120.16	117.00 116 120.40 120	115	1650 1750		26 3	50 19	29 105	81 127
ien	121.50	121.60	121.60		Copper (Grad	in A?	_	atis	_	12/ Puts
Sep Nov	100.50	100.25	109.25		2300 2300	~~	135	135		FUES 54
					2400		65	100	65	97
Berley	Close	Previou	s High/Low		2500		21	81	93	155
len -	111,35	111.75	111.75 111	.25	Colleg		Jen	Mer	Jen	Mar
Mar May	113.55 115.00	113.66 116,10	113.70 113	55	600	_	82	70		9
Unove	r. Wheet	189 (253	, Barley 32 C	MES.	650		17	37	6	26
umove	fots of	100 tom	68.		700		2	20	40	63
					Cocos		Mar	May	Mar	May
408 <b>-</b>	<b>BPE</b>		(Cash Settlem		650 650		86 35	- 51	13 33	18 37
	Close	Previou			700		17	30	64	68
eb	108.5	108.5			Brent Crude		Cab	Man	Cab	1.0am
<b>\pr</b>	109.0	103.5			ment Cands		Feb	Mar	Feb	Mar
	1735 5	100 5					***			
wg	109.5 110.0	109.5			1800 1850		129 85	100 74	6	25 45

## softs, cocos orices were driven lower by heavy trade and commission house activity. Prices finished the day down 24 basis March. Sugar and coffee we both slow. The grains were uneventful soybeans. Light commercial buying helped keep wheat futures firm. The livestocks had strong gains in the belites due mostly to buy stops. Live hogs and cattle were featureless. Commission houses and local traders pushed cotton higher. The energy again the most active posting strong **New York** GOLD 100 troy oz.; \$/troy oz. 408.1 410.4 412.9 417.8 422.7 427.4 432.4 437.5 442.8 PLATINUM 50 troy oz, \$/troy oz. 514.5 818.5 822.3 527.3 533.7 500.7 504.7 506.6 613.2 518.8 SILVER 5,000 troy oz; oer 567.2 570.3 574.0 578.5 686.6 694.7 603.0 615.3 818.9 627.5 Oec 13 Dec 12 minth ago yr ago Dec 12 Dec 11 moth ago yr ago 127.99 128.12 190.02 130.83

HOGE	GRADE (	OPPER 2	1,000 Rbs; o	ents/libe	C	leag	10		
=	Cione	Previous	High/Lo		_				
Oec Jan	106.50	103.10	108.50	104.70	SOY		000 bu min;		
Fob	100.50	102.20	100.00	104.50		Close	Previous		_
Mar	105.40	101.00	106.00	103.50	Jen	580/4	<i>577/</i> 0	581/0	573/2
Apr	104.80	101.35	104,10	102.70	Mar	694/4 606/6	590/4 602/4	595/0 607/0	599/2
Jan	103.85	100.00	6	6	Jul	816/4	813/0	817/0	000/0
Jul	103,46	105.20	103.50	102.10	Aug	618/6	615/0 610/0	519/0 618/4	012/4 611/0
Aug		99.85		6	- Nov	019/0	613/6	620/0	0184
CHU		ship 42,000			Jen	681/0	624/0	631/0	624/4
	Latest	Previous			90Y/	BEAN OI	. 60,000 Rbs;	cents/lb	
Jen Feb	20.72	20.85	20.66 20.65	20.68		Close	Previous	High/Lo	W
Mar	20.17	20.10	20.58	20.12	Dec	19.03	18.89	19.07	18.70
Apr	10.93	19.94	20.13	19.88	Jen	19,17	19.05	19:22	15.92
Mey Jan	19.77 19.55	19.75 19.58	19.92	19.85 19.55	Mer	19.61 19.98	19.49	19.65 20.02	19.35
Jul	18.34	19.35	19.51	19.34	Jul	20.20	20.14	20.22	19.90
Aug	10.19	19.21	19.41	19.79	Aug	20.17	20.18	20.20	20.02
Sep	19.02	19.07 18.98	19.25 19.11	19.02 19.07	Sep	20.17 20.10	20.1S 20.18	20.20 20.23	20.08
_					-				20.00
HEAT	Lettest	2,000 US g			SOYA		AL 100 lons;		
Jen	6786	6730	0000	6716		Close	Previous	High/Lor	
Feb	6390	6410	8516	6340	Dec	182.6 182.4	180.6	182.8	179.5
Mar	5810	5965	6065	6660	Jen Mer	183.5	180.6 151.6	182.8 183.8	179.5 180.4
Apr	5530 5330	5560 5324	5635	5500	May	184.0	182.2	184.0	161.6
May kun	5210	0164	5380 5270	5270 5180	Jul	184.7	183.8	188.0	183.1
<b>Jul</b>	5100	5134	5225	5150	Aug Sep	186.5 186.5	188.6 184.6	186.6 187.0	188.7 184.3
ωg	5210	5174	5229	5210	Oct	186.6	184.5	187.5	185.0
cocc		es;\$/tonne			MAKE	5,000 bu	min; cents/5	66b bushel	
Dec	Close	Previous	High/Lov			Close	Previous	High/Lov	,
4ar	941 936	965 660	966 972	965 924	Dec Mer	233/2 241/0	233/0	234/4	231/0
May	945	964	974	983	May	246/2	239/6 244/6	241/0 246/2	230/4
Nul Sep	961 931	980	992 1007	951 973	Jed	249/6	248/2	249/6	247/8
Dec	1010	1022	1029	990	Sep Dec	245/0 245/0	243/6	246/2	244/4
Var Visy	1027	1039	1020	1020	Mar	252/0	243/4 250/4	245/0 252/0	243/0 250/0
_		.5000be; ce	0	0	WHEA	T 5,000 bt	min; cents/	601b-busho	
-	Close	Previous	High/Lov	,		Close	Previous	High/Low	
)ec	74.99	74.75	75.00	74.20	Dec	414/4	413/4	414/4	418/6
Mar.	77.95	77.56	75.60	77, 16	Mar	414/6 391/6	413/0 390/2	416/0 382/0	411/0
May	79.98 62.25	79.75	82.90	79.25 B1.60	Jul	360/6	359/4	361/0	368/0 358/2
Sep	84,40	84.16	84.95	83.75	Sep	365/4 376/0	364/4	300/0	363/4
lec 4er	81.50 90.75	86.63 90.50	87.75	86.73			375/D	376/4	374/4
Ary	92.00	91.60	6	6	DAF	Close	,000 ibs; cen Previous	High/Low	
MAY	A MOUIT	<b>~117 112,0</b>	00 lbs; cer	ts/lbs	Oec	76.80	78.87	78.90	
	Close	Previous	High/Low		Feb	75.40	75.30	75.45	76.62 75.10
len	13.96	15.90	0	6	Apr Jen	74.35 71.40	74. <b>3</b> 5 71. <b>3</b> 2	74.42	74.12
4ar	13.75	13.72	13.93	13.75	Aug	70.12	71.32 70.15	71,40 70,22	71.12 69.95
AEY tud	13.74 13.68	13.70	13.89	13.71 13.57	Oct	70.25	70.20	70.27	70.16
)ot	13.23	13.18	18.40	18.22	LIVE	006 50,0	XI Ib; cents/i	be	
ler ley	12.75 12.67	12.68 12.58	12.65	12.80 6		Close	Previous	High/Low	
יונט	ON 50,000;				Dec Feb	81.70	50.92 48.62	81.75	50.57
	Close	Previous	High/Low		Apr	48.85	44.82	48.92 45.20	47.95 44.27
lar	69.07	68.23	69.15	95.25	Jun Jul	48.40	48.20	48.50	47.75
Ney ul	70.03	69.10	70.05	69.20	Aug	48.20 47.47	48.35 47.45	48.60 47.50	47.60 46.90
ec.	69.95 64.55	69.18 63.81	70.05 64,55	66.20 64.00	Oct	43.47	43.65	43.60	43,30
lar Bak	64.95	64.65	64.95	64.95		45.45 BPLLES	45.60 10,000 lbs; oc	45.50	45,30
- ALVE	Close	15,000 lbs; Previous	High/Low			Cicee	Previous	ma/ib High/Low	
	181.10	181.90	131.40	129.70	Feb	81.90	50.37	52.30	60.60
	131.65	131.45	132.06	129.25	Mar	51.77	50.47	52.17	60.36
					COLUMN 1	52.35	50.96	#D 30	
lay	131.10	130.35	131.45	129.00	Jul			52.70	51,80
lar lay ui êp	131.10 130.25 128.95	130.35 129.70 128.45	131,45 130,35 129,00	129.00 128.50 128.90	Aug Feb	52.40 50.40	50.87 48.90	62.75 50.90	51.00 51.00 49.75

127.4 (9/1/35)

surrounding water privatisa-tion stocks. Mr Alasdair Stew-

art at Charterbouse Tilney

said: "The company has been overlooked by the market.

Around 20 per cent of their

total profits come from the

plastics division, which makes fittings and valves for water

pipe works, which will be par-

ticularly used in the water industry." The shares added 9

to 257p. Press speculation about a

likely takeover from overseas

in the new year helped T&N. The shares hardened 5 to 207p.

105.4 50.63 (28/11/47) (3/1/75)

2006.8 49.4 (\$/9/89) (26/6/40

89.29

(5/9)

(3/1)

49.18 (3/1/75)

#### LONDON STOCK EXCHANGE

# London shares follow New York lead

THE UNDERLYING optimism of the UK stock market received a further boost yester-day from the overnight strength of the US and Tokyo markets. London trading volumes improved alertificantly as umes improved significantly as the international blue chips, encouraged also by a renewed dip in the sterling exchange rate, attracted buyers. The newly-privatised UK water company stocks added a scattering of small gains to the substantial premiums on offer prices chalked up on Tuesday, but they traded less freneti-

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Equities made a strong start, with oil stocks to the fore on the back of Wall Street's 23

**Doubts** on

oil shares

The oil and gas stocks were among the market's front run-

ners with share prices taking

another step forward as oil and gas product prices responded to the continuing bleak weather across the United States. Additionally boosted by

heavy overnight US buying interest, the UK oil majors rose strongly throughout the session in unusually high turnover before closing fractionally off the day's best levels.

But many one best levels.

But many analysts took the view that the recent strong run

by the oil stocks had gone too

far too fast. Hoare Govett

described the sector as "too frothy". Mr Jeremy Hudson of

Shearson Lehman Hutton said: "The US institutions have been very under weight in interna-

tional oils and are now window-dressing. Against this, UK funds are fully weighted in oil

"I think it's time to call a halt to buying of the UK majors for the time being UK

stocks are cheap against the US issues, but Shell is now

yielding less than Exxon and

Texaco, while price earnings ratios on the US majors are two to three points lower than

Another cautious view came

Another cautious view came from Mr Stephen Turner of Smith New Court who commented: "Oil prices have been buoyed by the weather in the US but that doesn't change the fundamentals of what will be a tricky period for OPEC in the

early part of next year, when seasonal demand will decline.

We recommend topsticing over-

weight positions in the

very good turnover of 12m, while Shell added 11 at 483p on turnover of 8.2m.

Activity in shares of the

newly-privatised water compa-nies was much quieter than

Tuesday's debut performance but nevertheless kept dealers

on the alert for any more signs of stake-building operations by UK institutions and possible

As one senior marketmaker

said "Ws are expecting plenty of bundling and unbundling in these stocks, which is hardly

surprising as holdings in the stocks will not show up on

share registers until next month. So obviously now is the time to accumulate holdings of

He said prices generally opened firmer but drifted off their best levels after keen

Water prospects

overseas predators.

up to 5 per cent."

BP closed 8 higher at 341p on

rise in

point gain. Interest soon fanned out across the range of international stocks as traders scented a buy programme in these blue chip issues, report-edly from a US securities

Dec 16

Account Dealing Dates

Dec 11

Dec 27

Jan 11

Jan 8 Jan 22

ingo may take place troop stocks days earlier

But gains were selective and progress was somewhat erratic at first as profits were taken.

two-way interest. Mr Nigel Hawkins at Hoare Govett described the day as "a period of consolidation, with many institutions holding off from the market until the selling by private investors has abated." Specialists noted further peralstent buying interest in Wes-

sistent buying interest in Wes-sex, possibly on behalf of a potential stake-builder while it was also pointed out that there

had been a single application for 5m shares in Yorkshire,

which represents a stake of some 2.5 per cent of the water

company. The name of Gener-

ale of France was linked with

The biggest turnover yester-day, 16m shares apiece, was in North West and Severn Trent.

The former rose 4 to 139p and the latter eased 1% to 129%p. Anglian were a penny up at 149%p on 13m while Thames hardened 1% to 137%p on 11m.

Growing speculation of an imminent deal in the food man-

ufacturing sector hit home with a cross of 9.6m shares in

Berisford International, later confirmed as Mr Larry Good-

man, the Irish entrepreneur

food group from 9.8 per cent to 11.8 per cent, or 57.69m shares. Dealers said that stories of a

move against Berisford had

been gaining strength in recent

days. AB Foods has a 23 per

cent stake in Berisford and the Pritzker interest speak for 11

Berisford is due to report

preliminary figures on Monday with estimates of pre-tax prof-

Its in the region of £110m, against last year's £101.6m.

At the close Berisford shares

were 9 higher at 161p on turn-over of less than in shares. The two blocks of 9.8m shares showed up on the Seaq over-night deals list.

The recent demand for Reu-ers shares from the US funds

finally caught London market-

makers hopelessly short of stock yesterday. The price opened sharply higher after a further rise in New York in American Depositary Receipt (SDR) form, Turnover in Lon-don was good, but not dramat-ically so, at 2.7m shares.

There was further, albeit less

forceful demand from the US when wall Street opened for

the new session and the shares

moved up afresh, to end the day 63 up at 1085p. Traders, excited by the strength of the

share gain, eagerly sought a convincing reason, quoting

PETER HIGHE (ET).

PRITISH PURDE (I) ARETHCANE (I) BANCE
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(Scholinberger, Univers, Neutranics (I)
NETWERSERS (I) PATERS (I) TANISPORT
(I) TREETS (IV) OLS (II) OVERSEAS

increasing his stake in the UK

Berisford move

The pace slackened when Wall Street made a sluggish start to the new session but picked up seain as the New York market began to renew its advance in the early part of the trading

London pushed ahead to close very near the top of the day, with a net gain of 22.7 on the FT-SE Index, finally at 2,386.2. Seaq volume of 429m compared reasonably with recent daily averages, setting aside Tuesday's 800.4m, sub-stantially inflated by the hectic trading in the ten water privatisation issues. While international factors,

including the unexpectedly strong rise of 0.8 per cent in US

supposed recommendations by

But the ADR specialists which have been buying Reuter shares in London to meet New York appetites main-

tained that yesterday's panic rise reflected nothing more

than an extreme squeeze on marketmaker positions in the

FT-A All-Share Index

**Equity Shares Traded** 

Oct Nov Dec

Shares in Charter Consoli-

dated, the mining and indus-

trial holding company, eased on news of an acquisition, as

the company reported interim figures in line with market forecasts yesterday.

The company amounced it was to buy the quarries busi-

esses of Anglo United for

£53.5m in cash. The news came as Charter Consolidated

revealed 2.20 per cent rise in interim profits to £38.5m. Earn-

ings per share were up 20 per

cent to 24.2p, while the interim

Mr Alan Richards at BZW said the results were in line with his forecasts but added.

"the company is trying to achieve a lot but these results

do not prove it yet." As for the purchase of the quarries business, he said it was, "not necessarily the answer at this sort

BZW have however upgraded

full year profit expectations from £78m to £82m. Also increasing profit forecasts for the full year is Citicorp Scrimgeour Vickers which lifted its prediction from £77m to £81m.

TRADERS (2) MINES (4).

NEW LOWS (35).

NEW LOWS (35).

40 STORES (2) ELECTRICALE (4)

40 STORES (2) ELECTRICALE (4)

NOTION CHOUP, ORIGINA, Waterford

Wedgeood, Young (1), RESUFFANCE (1)

MOTORS (1) PAPERS (5) PROPERTY (2)

PLANTATIONS (1) MINES (1).

per cent to

Tumover by volume (million)

1200

1150

400

200

London market.

retail sales for November, were clearly helping London yester-day, the domestic backcloth remained dull. Asda, the food supermarket group, was down-graded by BZW, the London investment bank, and there were hints that a downgrading of ICI, one of the market's blue thin leaders, was also in the pipeline. County NatWest, another of the big UK investment banks, downgraded Cookson, the industrial group.

"However, we don't bother about things like that just now," commented one trader. The London market takes the view that much of the bad corporate news expected early next year has been discounted

Shares in Anglo United

gained 1½ to 53p on news of the sale, while Shares in John-

son Matthey, in which Charter Consolidated has a 38.7 per

cent stake, fell in sympathy.

The shares gave up 5 to 335p.
The clearing banks rose

strongly, Barclays adding 11 to 563p, still boosted by the recent limch with one of the top UK investment banks. NatWest, said to be at a relative low against the rest of the banks sector bounced strongly to

sector, bounced strongly to close 11 higher at 347p on good

turnover of 3.6m. Standard Chartered were bought on sug-gestions that the group will

receive a much better than expected amount for its Singa-

pore beadquarters. Abbey National added 3 to a record 173p on 5.7m. American buying

issued by Mr Marcus Darville

of County NatWest, helped the

food sector make excellent

Tate & Lyle, which rose 9 to 282p on 3.1m shares, with Mr

Darville upgrading his profits forecasts for 1989-90 from

£220m to £225m and for 1990-91

from £245m to £250m. He says

Tate's underperformance since

the preliminarcy figures is unjustified given the above-

average earnings growth, high level of overseas earnings and

strong cash flow profile. More-

over, he says, the shares should respond glavourably to the long-awaited disposal of

the automotive interests expec-

ted before the year-end and the planned sponsored ADR.

ASDA were a permy firmer at 110p on turnover of 8.4m

shares despite a substantial

profits downgrading by BZW, whose Mr Greville Cater low-

ered his forecast for 1990-91

there was keen interest in other oil and gas stocks. Brit-

ish Gas remained a favourite,

edging up 2% more to 231p on 10m. But the exploration and production issues were restrained by what dealers said was an internal note preaching

caution of the sector. Enter-prise, np to 678p early on, retreated to close a net 10 off at 658p. LASMO eased 3 to 588p. The substantial and high

quality portfolio of oil stocks,

notably Shall, triggered another hig rise in British Borneo which jumped 35 more to 665p. Market whisper that a stake-building operation could be under way saw Century Oil

advance 4 to 154p.

A weaker pound, and the overnight strength of the wall

Street market, brought buyers in for the blue chip international stocks. Attention focused on the DM-orientated issues; ICI, a beneficiary of a strong DM, advanced sharply in the affectory to close 12 nm.

in the afternoon to close 12 up

Apart from BP and Shell.

from £235m to £195m.

County were keen buyers of

lifted SG Warburg 9 to 470p. The Berisford news and a strong buy note on Tate & Lyle trading firms continue to advise caution. Kleinwort Benson, the London merchant bank, whils believing that equities could make further ground before the year-end -"(Footsie) 2,400 could bs passed."- aids that a setback is expected early in 1990 which could take the Footsie back to 2,250, and does not rule out a more serious fall. Government Seco

83.68 83.77

 The FT-SE Index Steering Committee decided yesterday to add Globe Investment Trust and Thames Water to the constituents of the Footsie Index, effective from January 2 next. They will replace Granada

Among the pharmaceuticals, Glaxo (821p) were higher from the opening of the market, on the back of ADR business in New York, SmithKline Reacham (614p) was another to drive forward on US buying, while Wellcome (755p), was

also firmer. Unilever plc stock added 14 to 718p, pulled ahead by a widening premium, currently spc-lope on the NV shares. Salomon International, the US investment banker, has recommended the plc shares, which have outperformed the FT-All Share Index by about one fifth this year, to North American investors.

The leaders in property duti-

fully followed the market higher. MEPC climbed 6 to 522p and Land Securities also added 6 to 523p. The exception was British Land which lost 5 to 593p, undercut by doubts concerning the proposed

restructuring of the group.

Mr Michael Prew at Panmure Gordon said; "Growing institutional resentment of the management's excessive option incentive could jeoperdise the group's restructuring propos-

British Telecom continued to make progress, adding 3 to 292% on 8.1m. Tuesday's good results boosted Racal Electronics, up 4 to 245p on 5.3m. Hos kyns jumped 25 to 485p ahead of today's figures.

STC were a notable weak spot, the shares retreated 15 to 255p on bigger-than-usual turn-over of 4.8m, amid market suggestions that one of the agency brokers had lowered their profits-forecast for the company, and also on a story that a line of 7m shares was on offer.

317.8 317.4 312.8 300.5 287.3 317.8 154.7 734.7 (15/2/83) (26/10/71) (17/2)2426.0 1782.8 2443.4 988.9 (3/1) (16/7/87) (23/7/84) Ord. Olv. Yield Basis 100 Govt. Secs 15/10/26, Fixed Im. 1925, Ordinary 1/7/35, Gold mines 12/9/55, Basis 100 FT-SE 100 51/12/53. ☆ Nil 10 92 Earning Yid %(full) P/E Ratio(Net)(\*) 11.19 13.01 9.28 11.01 11.16 10.85 11.23 10.87 SEAQ Bargains(5pm) Equity Turnover(£m)† GILT EDGED ACTIVITY 49,723 1616.40 53,506 689.1 30,413 826.00 32,305 427.7 39,212 419.1 414.4 Ordinary Share Index, Hourty o Day's High 1680.2 Day's Low 1868.1 \*SE Activity 1674, †Excluding intra-market business & Oversons turnover. Calculatedon of the FT instices of delly Equity Bargains and Equity Value and of the five-day averages of Equity Value, was discontinued on July 31. Closing values for July Open 10 a.m. 11 a.m. 12 p.m. 1 p.m. 1870.2 1871.8 2 p.m. 1872.8 FT-62, Hourly changes Day's High 2386.7 Day's Low 2370.3 1 p.m. 2 p.m. 2382.7 Open 10 a.m. 11 a.m. 12 p.m. 2379.2 2373.8 2374.8 2380.0 3 p.m. 4 p.m. 2380.1 2380.1 TRADING VOLUME IN MAJOR STOCKS

FINANCIAL TIMES STOCK INDICES

# Volume Closury Day's Votome Closing Day's Common Charles Peed 17 Peerson 17 Peerson 18 Pe 0 983 Pedrejson 4,500 Polity Pect lost 1,500 Prudential 1,500 Prudential 507 Brit. & Corpen. ...

icit resulting from a short fall some of the previous day's falls which followed disappointing full year results. The shares added 6 to close at 310p. HP Bulmer, the drinks group, was lifted by interim

results just above market expectations. Other brewers which enjoyed a good day included Bass, up 11 to 1053p, Allied Lyons 9 higher at 499p, and

Grand Metropolitan, which announced the completion of the sals of William Hill to Brent Walker. The shares improved 6 to 607p. A strong "buy" recommenda-tion from Merrill Lynch helped make Hawker Siddely one of the bright features among

British Aerospace gained from confirmation that a cash payment of 22bn to cover a defin payments from Saudi Arabia nnder the Al-Yamamah defence contract, had been made. Sentiment surrounding the stock was also helped by new orders from Bangladesh. The company is due to hold an analysts meeting after today's market close at which it is expected to reveal details of the financing of the Al-Yama-mah contract and talk about the Personal Communications Network (PCN) licence it won on Monday. The shares added

11 to 572p. Dowly Group, recovered from the previous day's fall that followed the publication of disappointing interim results. The shares gained 6 to 231p,

Other market statistics, including FT-Actuaries Share Index and London Among second line engineer-ing stocks, Glynwed Interna-tional was said to have bene-Traded Options, Page 21

# Granada Group recovered HYUNDAI

US\$50,000,000

ced to The Republic of Karea with Haritast that

Floating Rate Notes Due 1993

In accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

Interest Period : December 13, 1989 to June 13, 1990 (182 days)

Rate of Interest: 8% per annum

Coupon Amount: US\$ 432.88

(per note of US\$10,000) US\$21,844.10

(per nate of LR35500,000)



# NOTICE TO WARRANTHOLDERS OF



## SUMITOMO RUBBER INDUSTRIES, LTD.

U.S. \$100,000,000 41/2% Guaranteed Bonds Due 1992

with Warrants

Pursuant to the provisions of the Instrument and the Paying and Warrant Agency Agreement dated 15th December, 1988 in respect of the above issue, notice is hereby given that:-

1. On 28th November, 1989, the Board of Directors of the Company, at its meeting, resolved to make a free distribution of shares of its common stock on 1st February, 1990 (Japan time), at the rate of 0.08 share for each share held, to its shareholders of record as of 31st December, 1989 (Japan time).

As a result of such free distribution, the Subscription Price in respect of the Warrents will be adjusted in accordance with Condition 7 and Clause 3 of the Instrument, from \$1,056.00 to \$977.80 effective as of 1st January, 1990

> THE SUMITOMO BANK, LIMITED. Principal Paying and Warrant Agent. for and on behalf of itomo Rubber Industries, Ltd.

#### **APPOINTMENTS**

**NEW HIGHS AND LOWS FOR 1989** 

#### P&O plans for Pacific companies

THE PENINSULAR AND ORIENTAL STEAM NAVIGATION CO has promoted Mr Richard Hein from deputy to group managing director of P&O Australia. He succeeds Mr Brign Baillie who continues as a non-executive vice chairman, and remains chairman of Com-mand Pacific. Mr Bailie has been appointed to the main board, and will take on new responsibilities in the Pacific Rim area. Mr Dong Anderson has been appointed assistant group managing director, and financial director, of P&O Australia. Mr Peter Johlie continuous as managing director. trails. Mr Peter Johns continues as managing director of Command Pacific, which is owned by P&O Australia (50%); Lyonnaise des Eaux (40%); and the State Superannuation Fund (10%). Mr Richard Sastaball continues with ard Setchall continues with full board responsibility for P&O Australia's materials handling activities.

BOOZ ALLEN & HAMILTON INTERNATIONAL (UK) has elected Ms Janice Hughes as a vice president specialising in European communications.

BRADSTOCK GROUP has appointed, from January 1, Mr Brian R. Craig and Mr Stephen G. Scholes as associate directors of

Bradstock Financial Services; and Mr Donald A.A. Nelson as a director of Hospital and Health Insurance Services.

Mr Nicholas Gray has joined NEVILLE A. BARKER & CO, Wilmslow. He was north west region deputy managing director with Sedgwick Group.

Mr John F. Turner becomes manager administration of BANCA SERFIN on January 1 succeeding Mr Peter J. Vermuelen who is retiring.

Hillsborough, has been appointed finance director of the SCHEDULING TECHNOLOGY GROUP. Mr G.A. (Mick) Stoke has been appointed chairman of CAUSEWAY INVOICE

DISCOUNTING CO. He is

chairman of Docker Foods. BROWN SHIPLEY INSURANCE GROUP
MANAGEMENT has appointed as directors from January 1
Mr John Romett and Mr
Rodney Stone of Brown

Mr Tim Brookes, deputy chairman of IN SHOPS, takes over the chairmanship from Mr David Newman from January L

Shipley Insurance Services.

■ GROVE CONSULTANTS has approinted Mr M.G. Plant as director and general menager from January 1, following the retirement of Mr T.A.R. Hanney.

■ Mr Field Walton has been appointed chairman, and Mr Peter Knapton managing director of GUINNESS MAHON INVESTMENT
MANAGEMENT, Mr Walton continues as chairman of Guinness Mahon Holdings' asset management division.

■ Following the aquisition of DIRECTORSHIP APPOINTMENTS by Clayhithe Mr John Heywood (chairman), Mr John Jones and Mr Dennis Sewell, all Clayhithe executive directors, have been appointed to the holding board and the executive board of Directorship Appointments, Mr Clive ofield-Smith (chief executive) and Mr Somerset Globs continue as directors of Directorship Appointments. Ms Janet Jones and Mr Michael Evans have been appointed to the executive

Mrs Miranda Evans has been appointed head of group corporate affairs, a new post, at BLUE CIRCLE INDUSTRIES. She was investor relations manager at Glaxo Holdings.

Mr Peter C. Williams has been appointed group treasurer of COURTAULDS TEXTILES, a new post created by the demerger of the Courtaulds Group. He joins from Coloroll Group where he was group

EGERTON TRUST has appointed Mr Bill Anderson as managing director of



Mr Christopher J. Martin (above), chief executive, has been appointed a director of TIPTON & COSELEY BUILD-ING SOCIETY.

Egerton Homes, Strathclyde. He was regional manager, Devon and Cornwall, Wimpey Homes and takes over from Mr Gavin London who becomes senior vice president. real estate, for Egerton Inc. Egerton's US subsidiary.

■ Mr Richard Turner, STC group marketing director, and chairman, STC Submarine Systems, has been appointed to the STC board as an executive director. He retains both his present posts. Sir Raymond Brown has relinquished executive responsibilities on the STC board, but remains a non-executive director until the annual meeting.



Kansallis-Osake-Pankki Yen 10,000,000,000

Subordinated Floating Rate Notes Due 1991

Notice is hereby given that for the interest period from 14th December, 1989 to 14th June, 1990, the Notes will carry an interest Rate of 8.825% per annum. Interest payable on the relevant Interest Payment Date, 14th June, 1990 will amount to Yen 446,153 per Yen 10,000,000 Note.

Agent Bank Morgan Guaranty Trust Company of New York London

Bank of Tokyo (Curação) Holding N.V. 000,000,000 E 2U GUARANTEED FLOATING RATE NOTES DUE 1991



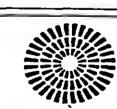
Poyment of the principal of, and interest on, the Notes is unconditionally and interesting guaranteed by

The Bank of Tokyo, Ltd. (Kabushiki Kaisha Tokyo Ginko)

In accordance with the provisions of the Agent Bank Agreement between Benk of Tokyo (Caraçao) Holding N.V., The Bank of Tokyo (Ed., and Citibank, N.A., dated December 3, 1981 natice is hereby given that the Rate of Interest has been fixed at 8.4375% p.a. and that the interest payable on the relevant interest Payment Date, June 14, 1990 egainst Coupon No. 17 will be U\$\$213.28.

December 14, 1989, London By: Cribank, N.A. (CSSI Dept), Agent Bank.

CITIBANCO



U.S. \$75,000,000 Southeast Banking Corporation (Incorporated in Florida, U.S.A.)

Floating Rate Subordinated Notes Due 1996

For the six months 14th December, 1989 to 14th June, 1990 the Notes will carry an interest rate of 81/18 per cent. per annum. Interest due on 14th June, 1990 will amount to U.S. \$426.56 per U.S. \$10,000 Note.

Morgan Guaranty Trust Company of New York London

DEVELOPMENT FUND OF ICELAND (FRAMKV/AEMDASJODUR ISLANDS)

(Established under the laws of the Republic of Iceland) U.S.\$35,000,000

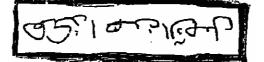
Floating Rate Notes 1997 Retractable at holders' option in 1995 Notice is hereby given that the Rate of Interest has been fixed at 8.4375% and that the interest payable on the relevant Interest

Payment Date June 14, 1990 in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$4,265.63.

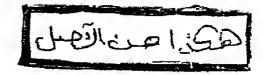
By: Chibank, N.A. (CSSI Dept.), Agent Bank CITIBANCE

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28					F	INANCIAL TIMES THURSDA	AY DECEMBER 14
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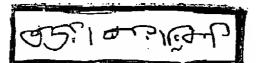


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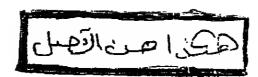
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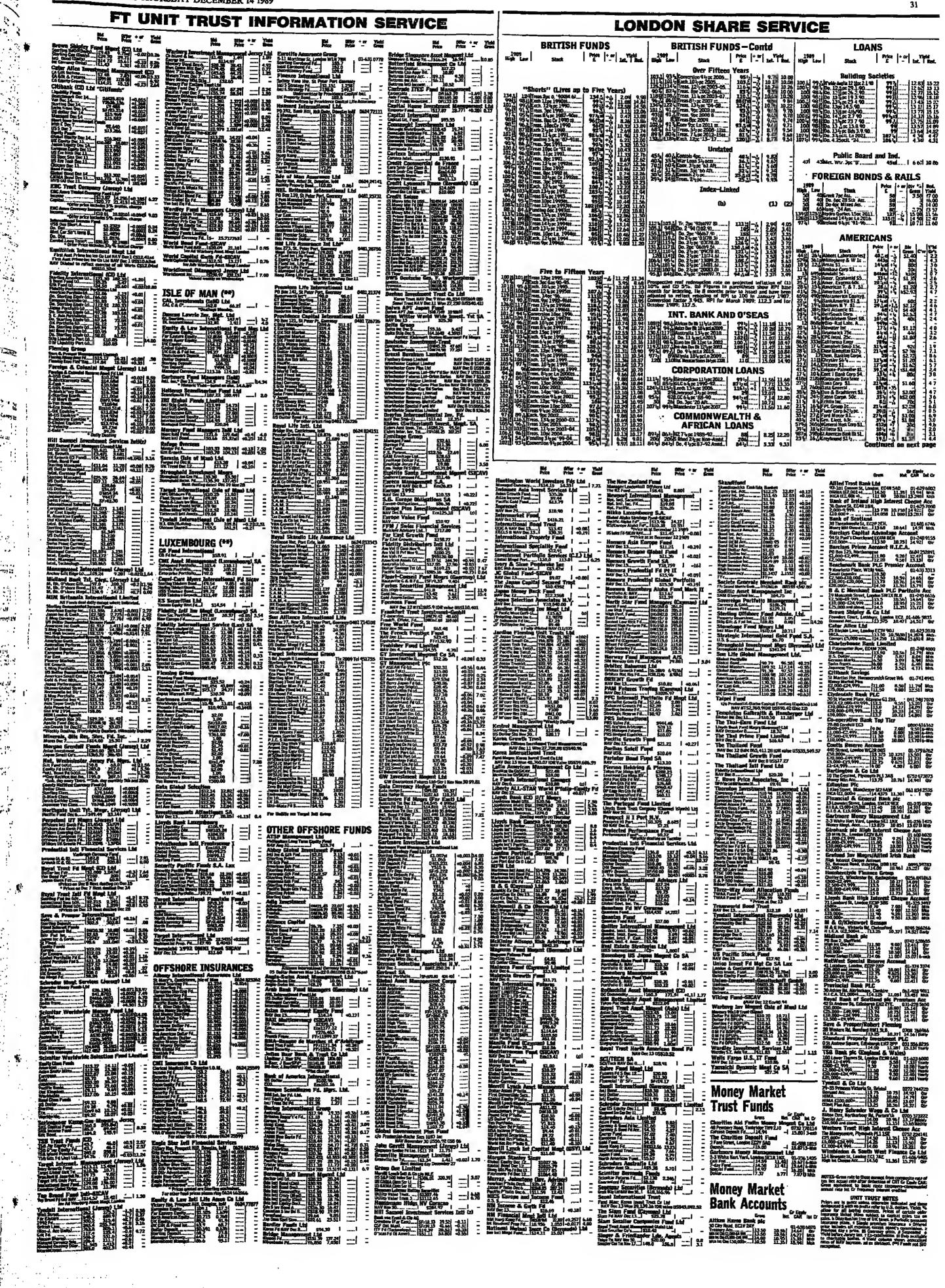
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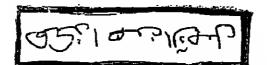
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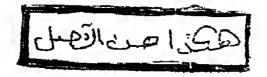
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	LONDON SHARE SERVICE	For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT
LESURE  APPER PRINTING,  ADVENTISING - Common and a second and a secon	TRUSTS, FINANCE, LAND  TRUSTS, FINANCE, LAND	CHANGE SCAPE CONTROL  AND CASE

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#### CURRENCIES, MONEY AND CAPITAL MARKETS

LIFFE LONG GALT FUTURES OPTIONS ESO, OOD 64ths of 195%

Estimated volume total Calls 1969 Pvts 11 Previous day's open let. Calls 11642 Pvts 5855

0-23 0-34 1-17 1-60 2-29 3-15

Calls-Mar 3-37 2-50 2-04 1-31 1-00 0-43 0-29

LIFFE C/S OPTIONS 625,900 (ceals per £1

#### **FOREIGN EXCHANGES**

#### Intervention halts D-Mark

THE D-MARK was prevented from rising yesterday as European central hanks stepped in to sell the West German curto sell the West German currency in an attempt to limit growing tensions within the European Monetary System. Sterling and the US dollar recovered to an extent from early losses as dealers prepared for the release of key UK and US economic data tomor-

The D-Mark began firmly in Tokyo with the dollar falling to DML6995, its lowest since May 1988, and more than three pfennigs below the previous London close. However, the D-Mark ran out of steam at around that level and soon began to weaken as traders viewed it as "overbought." The D-Mark then came

under attack as the central hanks of France, the UK, Spain, and Italy stepped into the currency markets at different times throughout the European morning and early after-noon and sold the West German currency. The pressure was kept up on the D-Mark after the Belgian central bank was forced to raise short-term interest rates, and Mr Pierre Beregovoy, the French Finance Minister, said there would be no devaluation of the French franc within the

**£ IN NEW YORK** Latest

20.25	Cales	Clase
£ Spot 1 month 3 months	1.5965-1.5975 0.84-0.83em 2.39-2.36pm S.38-8.28pm	1 6085-1 609 0.90-0 899 2.46-2.439 8 75-8.65p
Forward premiu	ors and discounts ap	grly to the US dol
STE	RLING I	NDEX
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**CURRENCY RATES** 1.23530 1.29807 1.50940 16.0208 47.7820 8.83661 2.27318 2.56369 7.78321 1681.49 187 636 7.8451 147 064 8.20575 2.06004 209.590 0.86594 1.36442 1.17830 1.3677 14.5089 42.7076 7.80520 2.02986 2.29163 5.94079 1511.76 169.640 7.64278 151.357 7.35496 1.87350 0.770082

CURRENCY MOVEMENT			
Dec.13	Bank of England Index	Margad** Guaranty Charges %	
Sterling U.S. Dollár U.S. Dollár Canzalaja Bolkar Sessyla Schilling Reighas Franc Danish Krose Deutsche Mark Swiss Franc Galider French Franc Lira Yen	86.7 68.0 105.4 109.8 109.2 108.3 118.4 106.8 114.3 102.7 99.8 132.1	-241 -103 +20 +122 +372 +372 +142 +145 -133 -186 +623	
Morgan Guaranty 1982 - 100. Back of 1 1985 - 1001 Plates are	England Inde	average 1980 (Base Average	

OTHER CURRENCIES

Dec. 13	3	5
Argential	1596.75- 1615.85	995.00 - 1005.00
Anstralla	2.0425 - 2.0445	1.2715-1.2725
Brazii	12 9525 • 15 0265	8.0710 - S 1120
Finland	6 5605 - 6.5805	4.0940 - 1 0960
Greece	253 75 - 350.50	157.65 - 160.15
Hong Karry	12,5215- 12,5346	7.8035 - 7.8055
Man	112 10*	71.20*
Korca(Sth)	1072 80 - 1090 15	671.00-676.20
KIPSEN	10 41260 - 0 43PAD	0 53400 -0 53430
Cinceppond	58 00 - 58 10	36 35 • 36.45
OLalaysia	4 3275 - 4.3390	2 6995 • 2.7015
Morico	4287.50 - 4291 40	2670 50 - 2671 30
N. Zealand	2.6830 - 2.6890	16705 - 16735
5audi Ar		3.7500 - 3.7510
Sheraport		1 9060 - 1.9080
S. Af (Cod)	4 1045 - 4 1155	2.5590 - 2.5620
S. Af (Fn)	6 2455 - 6 3700	38910 - 3 9685
Taiwas	42.05 - 42.15	26 20 · 26.25

**MONEY MARKETS** 

Firmer rates UK money market rates firmed In Frankfurt call money rates eased to 7.50-7.60 from 7.65-7.70 per cent on Tuesday, after the Bundesbank added an unexpected DM1.9bn of

liquidity at its securities repurchase tender. The

Federal funds were trading at 8% per cent at the time of the operations, compared with 8% per cent on Wednesday. Analysts said they expected money rates to remain steady hefore the US trade and readured price for the US trade and

producer price data tomorrow.

In Zurich money rates were unchanged despite the Swiss National Bank raising from today its flexible Lombard rate to two percentage points above average call money rates for

average call money rates for the previous two days, from one point above previously. Call money rates were unchanged from Wednesday at

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

yesterday as sterling slipped in yesterday as sterling slipped in early trading against the D-Mark. But despite a partial recovery by sterling later on, rates remained higher. The key three-months interbank rate was quoted at 15%-15 per cent, from 15%-15 on Tuesday. reparchase tender. The Bandeshank accepted hids totalling DM22.5ha at the tender. compared with DM20.6ha of facilities which expired yesterday.

Frankfurt dealers said that after the Bundeshank's injection of funds, the short-end of the money market would remain liquid over the Christmas period and would keep rates close to current levels. from 151-15 on Tuesday. Initially, the Bank of England forecast a shortage of around £950m, which included an allowance for water privatisation receipts. An early round of bill offers was invited, though the Bank did not oper-

During the morning the Bank purchased £594m bills, of which £294m were band 1 bank levels.

In New York the Federal in its open market operations added reserves with overnight system repurchase agreements. Federal funds were trading at

UK clearing bank base loading rate 15 per cent from Ostober 5

hills at 14% per cent, and £300m for resale to the market in equal amounts on December 27, 28 and 29 at 143 per cent. In the afternoon, the Bank bought 5245m of band 1 bank bills at 14% per cent. Late assistance of around £75m was provided.
Factors contributing to the
forecast shortage included
maturing assistance and a
take-up of Treasury hills of £1.055hn, a rise in the note circulation of £1.75m, and bankers balances £35m below target. This was partly offset by Exchequer transactions of nated intervention, many analysts said that was precisely what had taken place. Mr Neil MacKinnon, chief economist at Yamaichi International, said the D-Mark's strength had created tensions within the EMS,

Although the central banks made no reference to co-ordi-

ated tensions within the EMS, and there remained a strong possibility of a realignment in the first quarter of 1990.

A boost given to the dollar after the latest US retail sales figures also kept the D-Mark on the defensive. But analysts said Friday's US data, which are expected to show the trade deficit widening and inflationary pressures easing, could deficit widening and inflation-ary pressures easing, could tempt the Federal Reserve to ease monetary policy. This would put the dollar under renswed pressure, which in turn may give the D-Mark another boost, they said.

The dollar closed at DM1.7400 from DM1.7350 on Tues

Y143.85, at SFr1.5750 from SFr1.5770, and at FFr5.9475 from FFr5.9300. The dollar's index, as calculated by the Bank of England, fell 0.3 to

Sterling fell to DM2.7350 in Tokyo, which took it close to the lowest level it has traded at since January 1987, when it hit DM2.7275, according to Mr Christian Dunis, econo Chemical Bank, How bounced back after the England bought ster dollars and D-Marks. I Parsons of Union Disco it is the first time thad sold D-Marks si pound was at DM2.05, interpreted as a sign terday's intervention is co-ordinated. Sterling DM2.7750 from DM2.7 \$1.5950 from \$1.60 SFr2.5125 from SFr2.5 Y229.75 from Y230.75, FFr9.4850 from FFr9.51

Dec 13	Short	7 Days	Gee (Agoth	Three Months	Siz	One
	LEMI	notice	LWONTH	MUDUS	Blooties	Year
19	154-151	151-15	154-154	154-15	15-143	148-148
itar _ ,	124-12	124-12	192-173	124-113	113 113	118-112
der	84-84	8,-81	84-82	84-84	84-84	62-62
JBC	8-74		85-85	87-67	ST-67	8 8
mark	74-75	71-75	106-104	102-103	10 -10	105-103
Ura	104-104	104-103	134-125	131-125	13-125	134-121
Fleb	93-95	10-93	101-10	10 - 10	10 3-10	10 3-10
Con)	10-95	10 - 93	61-63	104-94	104-97	101, 93
	121-121	123-124	123-124	27.3	11-11	118-118
Shop	811-814	83-84	811-811	82-63	83-83	82-63
					for years 8,1-8, se Yes; others, to	A per cent; fi

Dec.13	Day's spread	Clase	Gre month	7	Three	%
US	1.5945 - 1.8245 1.8490 - 1.8645 3.12 - 3.134 57-55 - 58.45 10.694 - 10.90 1.0654 - 10.90 1.0654 - 10.90 1.0654 - 20644 10.03 - 10.664 9.454 - 9.49 9.954 - 10.045 2294 - 2314 19.38 - 19.54 2.50 - 2.514 1.500 - 2.514 1.500 - 1.360	1.5945 - 1.5955 1.8515 - 1.8525 3.124 - 3.134 38.00 - 58.10 10.699 - 1.0704 2.774 - 2.774 2.774 - 2.774 17.85 - 1.77.15 20631 - 20641 10.64 - 9.794 2.794 - 2.304 1.946 - 19.99 2.504 - 2.514 1.3640 - 1.3650	0.99-0.86-pm 0.99-0.39-pm 13-13-pm 13-13-pm 13-0.25-pm 13-13-pm 11-16-dis 5-16-dis 5-16-dis 5-25-pm 24	6.58 6.70 5.58 2.80 2.80 7.30 4.74 8.81 6.36 7.418	2,48-2,45 per 131-115 m 75-46 per 175-46 per 175-46 per 175-46 per 175-26 per	6.15 4.86 2.32 6.49 2.30 4.55 2.57 4.11 2.56 4.37
9.00-56.10	Sis-mouth forward d	PORWAR  Cose	12 mm/ths 8.88-8.	72cpus		

Dec.13	Day's spread	Close	Oue stouth	¥.	Three	37
JKI	1.5945 - 1.6145	1.5945 - 1.5955	0.89-0.86cm	6.58 2.67	2.45-2.4500	
dardf	1.5200 - 1.5365	1.5205 - 1.5215	0.36-0.32 <del>cpts</del>	2.67	1.28-1.18pm	3
202d3	1.1590 - 1.1630	1.1570 - 1.1600	0.34-0.3Bm8s	-3.72 0.31	1.00-1.07#3	-3
etherlands.	1,9330 - 1,9590	14635 - 19645	0.06-0.04cpm	0.31	0.01pm 0.03db	41444
elgium	36.05 - 36.45	36.35 - 36.45	2.00-4.00mls	-0.99	10.00-14.0045	-1
CHILDRY		6.705 - 6.71	1.90-2.25ercits	-3.74	5.70-6.2005	-3.
V. Germany	1.7005 - 1.7405	1,7395 - 1,7405	0.12 0.10pfpm	3.74 0.77 4.30	0.15-0.12	4
wurd	151.30 - 152.25	152.15 - 152.25	90-120ath	-8.30	300-350m	-0.
pal4	110.80 - 112.10	11200 - 11210	63-73cds	-7.33	193-20345	-7.
ب	12721 12944	12934 - 12944	5.00-5.50 Iredb	-4.92	14.30-15,30ds	4
OF WAY		6.667 - 6.67	1.75-2.10cre/s	-147 -180	5.80-6.20ds	32
rance . person	5.854 - 5.95	5945-595	0.83-0.93e9s	-1.80	3.00-3.2005	-2
weden		6.244 - 6.254	1.25-1.500 edis	-264	5.15-5.5008	-3.
3034	143 40 - 144 15	144.05 - 144.15	0.29-0.27ypm	2.34 0.15 0.39	0.72-0.69pm	1
ustria	12.064 - 12.17		0.20pm 0.50pds	0.15	0.40 1.80dls	-0.
witzerland .	1.5510 - 1.5700	1.5745 - 1.5755	0.07-0.03cpm	0.39	0.10-0.05cm	Ö.
CU	1.1705 - 1.1810	11740 - 11750	0.23-0.21qpm	2.25	0,72-0.68pm	2
omercial r	LLIUS - LIBER ates taken towards the discounts apply to the chal france 56,36-36.4	e and of London trac he US dollar and mut	thou, t to K and Irela	# at 0	need in US comme	. Fo

				UNIT RAT	
	Eco central cates	Corresty amounts against Ecu Dec.13	% change from central rate	appealant appeal to	Divergence Basis, %
elglan Franc	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58 133.804	42 70% 7.88520 2.62966 6.94079 2.29168 0.770082 1511.76 131.957	+0.59 +0.42 +0.53 -1.20 +0.22 +1.96 -1.63	100 100 100 100 100 100 100 100 100 100	±15424 ±16419 ±13019 ±13719 ±15019 ±16689 ±4.0815

	EXCHANGE CROSS RATES												
Dec.13	£	S	014	Yes	F Fr.	S Fr.	₽FL	Lira	CS	8 Fr.			
£	0.627	1.595 1	2.775 1.740	229.8 144.1	9.485 5.947	2513 1576	\$133 1.964	2064 1294	1161	50.0 36.3			
DM	0.360 4.352	0.575 6.941	12.08	82.81 1600,	3 418 41.28	0.906 10.94	1363	743.8 8952	0.667 S059	20.5			
F Fr. S Fr.	1.054 0.398	1.66Z 0.635	29% 1104	2423 9144	10. 3.774	2649	3.303 1.247	2174 8213	諁	61.20 23.10			
H FL Lim	0.319 0.484	0.509 0.773	0.886	73.35	3.027 4.595	0.802	1 1.518	658.8 1000.	0.991	145 24.1			
C S B Fr.	0.540 1.723	0.861 2.748	1.498 4.780	124.1 395.9	\$.121 16.34	137	1.692	1114 35%	1 3.190	31.34			

were B	nist at ver, it ank of ng for r Nick at said Bank	170	5.25 5.2 0.82 1.9 0.00 0.4 0.00 0.00	_ 1	0.00 0.00 0.71 4.85 9.89 14.89	0.03 2.48 5.00	999	275 (286 (285 (285 (285 (285 (285 (285 (285 (285	101 100 100	Calle St	0.01 0.04 0.24 0.48 0.73 0.73 0.96 Puts 50 Puts 138	0.05 0.15 0.19 0.19 0.32 0.48
wh the had clo	the dich he at yes-d been used at 00, at 5, at		DRY BONDS ( 2mb of 186% 1.2555 99-17 99-12 99-09 99-01	High 99-13 99-15 99-10 99-01		F Pro-		T	21 (DAM) 1720 1.6°58 0.6°73 0.7020	High 0.6962 0.6967 0.7020	0.6942 0.6978	0.6976
.53 , a 100	00, at and at Ster- co 86.7.	Dec. Mar Jan Sep Dec. Mar Jan Sep Dec. Mar Jan	%-10 	99-10 99-01	98-2 98-1	- 98-2	Jun Dec Ua	1750HE M 125,800 S	APK CBG		0.7000 0.5790 0.5793	Pres. 0.5766 0.5767 0.5767
	One Year		194 80 LS 10	_	_	_		EE-MONT	صفدا	0.5825	0.5795	0.5767
1	148-148 81-84 118-124 81-84 81-84 114-124	Dec. Mar Jen. Sep	92.29 93.19 93.38	Figh 92.52 93.23 93.39	92.2 93.1 13.3	921	Dec Nam Sup Dec Man Jun Sup	peiets of	146% 9151 9211 9220 91.90 91.90 91.90 91.90	91.55 92.55 92.75 92.75 91.67 91.67 91.67 91.59	91.47 92.06 92.21 92.16 91.93 91.79 91.64 91.54	91.56 92.18 92.29 91.99 91.69 91.69 91.69
4 ×	r cent; fine	SWISS FRAN SFy 125,840	S per SF?	Was	Line	- 0		ے گلیطان ما خلیطان آ				Doni
<b>200</b> di	ND	Dec Mar Jun Sep	0.6408 0 0.6406 0 0.6414 0 0.6425 0	High 6427 6437 6425	0.6387 0.6390 0.6390	0.6354 0.6360 0.6360 0.6360	Dec Mar Jun		257 TO 257 TO 25	High 157.65 July 20	352.40 356.80 361.60	Prev. 352.55 554.90 360.60
-	6.18 2.66	G1,250 tox	A SE LIS DE H par SU	TRIVIS								_
3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3. 3	2.66 6.15 4.86 2.22 3.24 6.39 2.30	Strike Prior 1.500 1.525 1.525	Dec 10.35 8.00 5.50 1.16 1.09 0.18	10.65 1.15 1.55 1.55 1.55 1.55 1.55	10	66 65 84 88	Mar 10.40 7.95 5.80 4.22	Dec	0.0 0.3 0.9 2.0	9 2	137/1222 160	\$2ar 1.33 2.12 3.16 4.49 6.08 7.89 9.79
500	254 155 257 4171 158 4171 158 157	1.575 1.600 1.625 1.650 Previous day's	0,18 open int: Cal rolume: Call	0.40		146 145 145 15,118 (	2.95 2.00 1.28 6 (All carred	4.31 rended idea	3.5 5.5	6 5 0 E	.58	9.79
200 200 200 200 200 200 200 200 200 200	230 454 155 259 411 271 816 5.84 6.37 3.80	Previous day's	open Int: Calif	1.02 0.40 0.5 441 8.85,19	950 Pr 4 Puts	146 145 16 451,02 35,118 (	All carries				.58	9.79
pri pri	155 257 411 271 616 584 437 180	Previous day's	-	1.02 0.40 0.5 441 8.85,19	AN	OP1	TON	S E	XCF	IAN	.58	9.79
pri pri	155 259 411 271 816 5.84 6.57 3.80 ctal trans	1.650 Previous day's Previous day's	spen int: Call	1.02 0.40 0.40 0.5 25,15	AN	OPT	TON	IS E	XCF		GE Sto	
	1.55 2.59 4.11 2.71 6.16 5.84 6.57 3.80 cist trans	1.650 Previous day's Previous day's	EURO Series	1.02 0.40 0.5 441 8.85,19	AN	OP1	TON	IS E	XCH	IAN(	GE Sta	=
	155 251 271 271 280 271 280 271 271 271 271 271 271 271 271 271 271	Look C Previous day's Previous day's Cold C Cold C Cold C Cold C Cold C Cold C Cold C Cold C Cold C	Series	1.02 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0	950 Paks 4 Paks 77 106 106 106 610 220	OP1	TON  Mi  you  10  10  Mc  Mc  Mc  Mc  Mc	15 E	Vol 20 82 -	1AN(	SE S	prik 13.40 13.40
	155 251 271 271 280 271 280 271 271 271 271 271 271 271 271 271 271	Look C Gold C Go	Series	1.02 0.20 0.03 0.03 0.03 0.03 0.03 0.03 0	950 Priss Pr	650 450 22.50 130 6 6.	1.23 All carries All carries All carries 10 10 10 10 10 10 10 10 10 10 10 10 10	15 E	XCI- Vol 20 12 82 	2 90 Lag 33 1 29 1 21 1 90 A 90	St.	13.40 13.40 13.40 13.40 13.40 13.40 13.40
	1.55 2.59 4.11 2.71 6.16 5.84 6.57 3.80 cist trans	Look C Previous day's Previous day's Cold C Cold C Cold C Cold C Cold C Cold C Cold C Cold C Cold C Cold P Cold P Cold P Cold P	Series	1.02 0.40 0.41 0.41 0.42 0.42 0.42 0.42 0.42 0.42 0.42 0.42	750 Pd Psts Psts Psts Psts Psts Psts Psts P	650 22.50 1.80 6	1.23 All carries All carries All carries 10 10 10 10 10 10 10 10 10 10 10 10 10	13 E 13 36 250 13 13 14 15 15 15 15 15 15 15 15 15 15 15 15 15	XCI- Vol 20 12 82 - 180 Fel 40 431	2 96 Lag 33 4 29 4 21 490 13 19 50 7.80	St.	13.40 13.40 13.40 13.40 13.40 13.40 13.40
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Company of the second of the s	155 2411 2711 2114 155 157 180 157 180 181 181 181 181 181 181 181 181 181	Cold C C Co	Series	1.02 0.46 0.46 0.46 0.46 0.46 0.42 0.42 0.42 0.42 0.42 0.42 0.42 0.42	750 P.	451 02 02 02 02 02 02 02 02 02 02 02 02 02	1.23 All carries All carries All carries 10 10 10 10 10 10 10 10 10 10 10 10 10	15 E 19 90 Last 36 25 20 20 13 14 9.90 4.90 2.20 2.00	July 180 Feb 1447 145 153 33	2 90 Lag 33 1 29 1 21 1 90 A 90	St.	13.40 13.40 13.40 13.40 13.40 13.40 13.40
Company of the second of the s	155 2411 2711 2114 155 157 180 157 180 181 181 181 181 181 181 181 181 181	L650 Previous day's Previous day's Previous day's Previous day's Gold C Gold C Gold C Gold C Gold C Gold C Gold P	Series  Series	1.02 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0	250 PM 4 PM 50	450 2350 1250 450 2 180 5 180 6 180	Mail capter	13 - 36 - 36 - 36 - 36 - 36 - 36 - 36 -	Au Vol 20 12	2 90 Lass 33 4 29 4 29 4 29 4 29 4 29 4 29 4 29 4	Si 4444444   44444   44444   44444   44444   44	13.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 143.60 143
のでは、 のでは、	125 2411 2711 2711 281 281 281 281 281 281 281 281 281 2	L650 Previous day's Previous day's Previous day's Previous day's Gold C Gold C Gold C Gold C Gold C Gold P Gold C	Series  Series	1.02 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0	250 PM 4 PM 50	0 PT 1.85 0.20 0.50 0.50 0.50 0.50 0.50 0.50 0.5	1.28 All carried A	13 1 200 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Au Vol 202 12 20 1	990 Lass 21	Si 4444444   44444   44444   44444   44444   44	13.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 143.60 143
のでは、 のでは、	1.55 2.59 4.11 2.71 3.16 5.84 5.15 1.25 1.25 1.25 1.25 1.25 1.25 1.25	LASO Previous day's Previous day's Previous day's Previous day's Previous day's Gold C Gold P Gold Index P EOE Index P EOE Index P EOE Index P EOE Index P SyFI P SyFI P SyFI P SyFI P ABAN C ABBN P Acquire P Acquire P Acquire C Amery P A	Series Sans Sans Sans Sans Sans Sans Sans San	1.02 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0	250 PM 4 PM 50	0 PT 1.85 0.20 0.50 0.50 0.50 0.50 0.50 0.50 0.5	Mail carried   Mail	13 - 13 - 13 - 13 - 13 - 13 - 13 - 13 -	Au   Vol   120	90 Lass 33 a 29 A 21	Si 4444444   44444   44444   44444   44444   44	13.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 143.60 143
のでは、 のでは、	1.55 2.59 4.11 2.71 3.16 5.84 5.15 1.25 1.25 1.25 1.25 1.25 1.25 1.25	L650 Previous day's Previous day's Previous day's Previous day's Frevious day's Gold C Gold P	Series Sans Sans Sans Sans Sans Sans Sans San	1.02 0.40 0.40 0.40 0.40 0.40 0.40 0.40 0	750 PM	450 2350 1250 450 2 180 5 180 6 180	Mail carried   Mail	13 - 13 - 13 - 13 - 13 - 13 - 13 - 13 -	720 120 120 120 120 120 120 120 120 120 1	90 Lass 33 4 29 4 21	St.	13.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 133.40 143.60 143

FINANCIAL FUTURES AND OPTIONS

LIFFE EUROCOLLAR OFTENS Clas points of 100%

Estimated volume total, Calts 0 Puts 0 Previous day's open int. Calts 907 Puts 609

115

0-19 0-30 0-48 1-08 1-39 2-16 3-00

0.00 0.01

LIFFE BUND FUTURES OFFICE DE250,000 paints of 169%

167 131 0.49 0.72 0.36 0.24

IFFE SHORT STERLING & 1589,000 points of 100%

POJNO-S FFOREIGN EXCHANGED

DIM-STERLING SO per C

LONDON (LIFFE)

Estimated volume 13312 (16847) Previous day's open int., 36691 (35732)

Estimated volume 15910 (11954) Previous sky's open int. 31903 (33278)

THREE MENTH STEPLING 4500,000 points of 100%

TERREE MENTH ELIGORCLIAN

THREE MOUTH ELMONARY DN Los points of 100%

91.55 92.17 92.28 92.20

Est. Vol. (Inc. flys. act street) 8606 (3738) Previous day's open lot. 46079 (45932)

BOND Y285m 1088s of 188%

Close High Low 104.12 104.14 104.01 104.18

84.90 85.65 86.53 87.13 87.98 88.19 88.35

0.30 0.44 0.62 0.65 1.16 1.16 1.16

0.01 0.03 0.11 0.33 0.58 0.83 1.05

90-29 91-28

99-08 99-06

i volume Lozal, Calls 718 Pots 1123 day's open int. Calls 63169 Pots 3990

Latest High 1.6064 1.6086 1.5816 1.5836 1.5584 1.5590

0.56 0.73 0.93 1.16 1.43 1.74 2.07

Estimated volume total, Calls 1060 Pots 1640 Previous day's open int. Calls 14425 Pots 14522

1.5950

THREE MONTH ECU ECU Ins values of 195% Estimated volcace 243 (374) Previous day's open lat. 1119 (1131) 2366.5 2415.0 2456.6 1395.0 2374.0 2445.0 2426.0 TOTAL VOLUME IN CONTRACTS: 52,940 & 8-84 C-Cui P-Pat BASE LENDING RATES ABN Bank Adam & Company Allied Trest Bank Alfied Irish Bank Co-operative Bank
Condis & Co
Cyrus Popular Bit
Dustar Bank PLC
Durtera Lawrie
Espatorial Bank plc
Espatorial Bank plc
Espatorial & Ger. Bank
First Hatlonal Bank Plc.
Robert Firening & Co.
Robert Firening & Marx.
Girobank
Wiff Bank plc Co-operative Barts ..... Heary Anthacter
 Associates Cap Carp
 Authority Bank
 B & C Merchant Bank Reyal Trest Back \_\_ Standard Chartered .....

(Lunchtime) Prime rate Broker loan rate Fel. hads Fel. funds at Intervention	10½ To	o rearch month recently recently recently recently		7.86 Fivey 7.86 Seres 7.78 10-ye	767	7.75 7.83 7.83
Dec 13	Oversight.	Goe Month	Two Mostle	Three Mosths	Six Months	Lembard Intervention
Frankfort Paris Zorich Amsterdam Tokyo Minas Brossels Doblin	12 3 12	7.85-8.00 103-103- 8-84 8-8-53 63-63 123-133- 103-103- 113-113-	7.90-8.05 103-104 -	7.90 55 5.50 50 5.50 60 51 5.50 6	7.95-8.15 10%-10%	8.00 9.50
	ONDO	N M	ONEY	RATE	<b>:</b> S	
Dec 13	Oversight	7 days notice	Gae Month	Three Months	Months	One Year
Interbank Offer Interbank Sid Interbank Sid Interbank Sid Sterling CDs. Local Authority Deps. Local Authority Bonds Discount Mits Deps. Company Deposits Finance House Deposits Fine Tracks Bills CBoy) Dollar CDs SDR Linked Dep. Sid . ECU Linked Dep. Sid . ECU Linked Dep. Sid .	15½ 15½	15 à	15.5 15.5 15.5 1-7 14.5 15.6 14.6 15.6 14.6 15.6 15.6 15.6 15.6 15.6 15.6 15.6 15	154 155 155 155 155 155 155 155 155 155	15 143 143 143 143 15 15 15 15 143 8,9 8,4 103	14 14 14 14 14 14 14 14 14 14 14 14 14 1

FT LONDON INTERBANK FIXING

The Fixing rates are the arithmetic seasos rounded to the nearest one-sixteenix, of the bid and offered rates for \$10m quited to the number by five reference basics at 1.00 a.m. upon working day. The basics are Matismal Westmissian Basic, Basic of Todyo, Deachast Basic, Basic Deach of Todyo, Deachast Basic, Basic Page National de Paris and Morgan Guaranty Trust.

**MONEY RATES** 

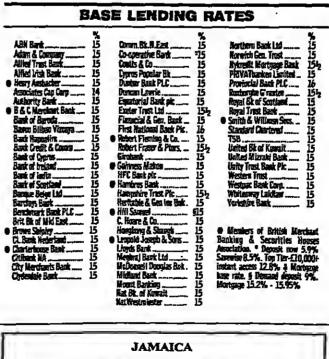
& areaths US Dollars

Treasury Bills and Bonds

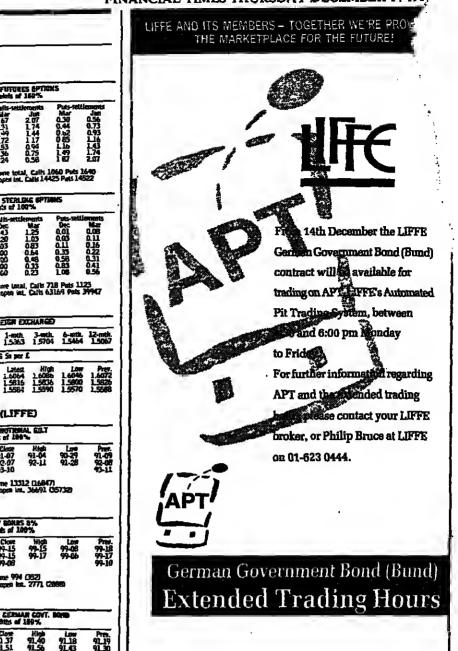
(11.00 a.m. Dec.13) 3 months US dollars

offer 82

Treasury Bills iseld; one-month 143; per cent; three months 143; per cent; Bank Sills (self); one-month 144; per cent; three months 143; per cent; Treasury Bills; Average Lender rate of discount 14.4976 p.c. ECCD Fixed Rate Storting Export Finance. Make up day November 30, 1999; Agreed rates for period December, 36, 1999 to January 23, 1999, Scheme 13.87 p.c., Schemes III. 16.43 p.c. Local Anthority and Finance Houses sever days notice, others seven days fixed. Finance Houses Base Rate 15½ from December 1, 1997, Bank Disposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit Certes St. Deposit Center for over belid under one month 11½ per cent; one-trate months 15 per cent; there-six months 15 per cent; from Oct 9,1989, Deposits withstrawn for cash 5 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withstrawn for cash 5 per cent;

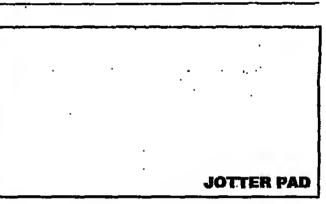


The Financial Times proposes to publish this survey on: 8TH FEBRUARY 1990 or write to him at: **FINANCIAL TIMES** 



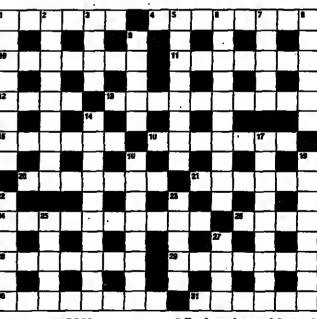






#### **CROSSWORD**

No.7,115 Set by TANTALUS



ACROSS
1 Birds heading off seeing feline in Oman (6)
4 It's still foul (5)

4 ft's still foul (8)
10 So much continental drink causes fit of temper (7)
11 Game the Spanish finish and make mould (7)
12 The end of broadcasting free network (4)
13 Claim before there is stress (10)

(10) 15 Deal with youth leader and

reach agreement (6)
16 Moved from Salerno to French city (7) 20 New mates upset about ves-sel (7) 21 Cheerful Liberal statesman

phone (10) 26 Long for devout direction (4) 28 Characters in minaret dis-

play clothing (7)

29 Sodium odour beginning to develop (7)

30 On the occasion of deliveries is there extra pay? (8)

31 Dog a spy (6) DOWN 1 Provide one gun in time perhaps to appease (6)
2 Nurse turned up with German specialist showing emotion (9)

3 Part of tarmac resurfaced in Roman orator stops short by sallors and is silent (8)

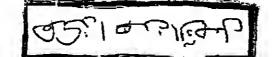
6 Fresh earth spread for tropic cal tree (10)
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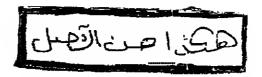
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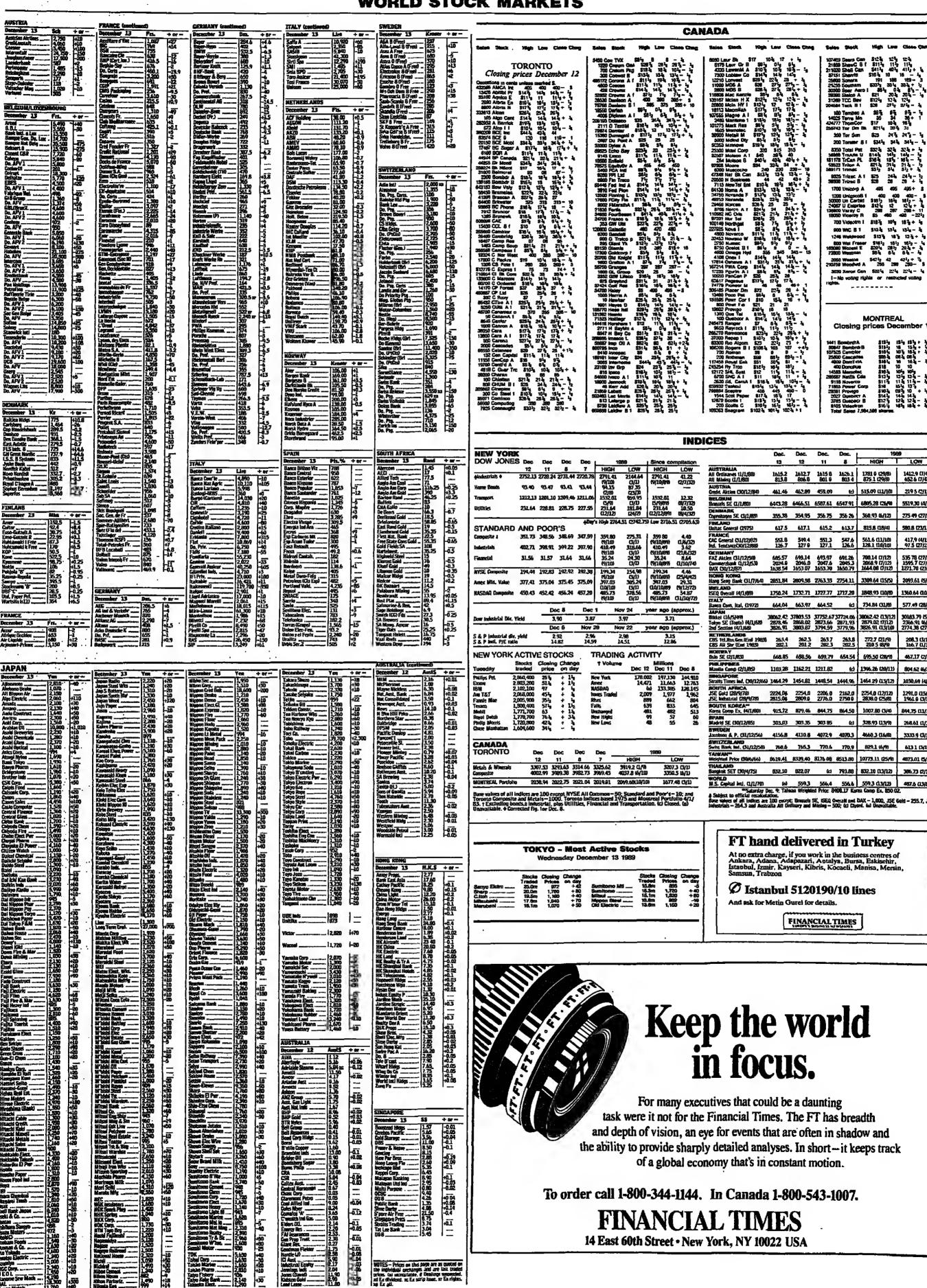
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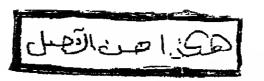
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2pm prices December 13

# Demand for energy issues lifts Dow to early high

**Wall Street** 

AN EARLY continuation of this week's buying of oil and gas stocks helped the broad gas stocks helped the broad market to a gain of 20 points in mid-morning before the buying faltered and the market came off its highs, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average was quoted 13.66 points higher at 2,765.79, its hest level since the October

its best level since the October 13 mini-crash, on active trading of 125m shares. The Dow had ended 23.89 points ahead on Tuesday at 2,752.13.

Among other indices, the Standard & Poor's registered a healthy gain by midsession while the American Stock Exchange index and the Nasdard Comments and the Nasdard Comment daq Composite were only marginally higher.

Although there was clear profit-taking after the substanprofit-taking after the substantial rally on Tuesday, which came mostly because of strength in energy stocks and in the face of continued weakness in computer issues, the market was still supported at higher levels by US retail sales gain in November.

Retail sales rose 0.8 per cent

Retail sales rose 0.8 per cent against expectations of a gain of 0.2 per cent or a fall of 0.4 per cent. Although most of the unexpected strength came in non-durables, the figure

appeared to give some encouragement to the equity market.

Another, minor positive point was that the Treasury bond market did not react particularly negatively to the figures with the long end of the yield curve quoted up to it point higher at midsession.

There is little underlying direction in either the county

direction in either the equity or bond markets, and it is unlikely until Friday's clutch of economic data which includes November producer includes November producer prices, industrial production and capacity utilisation.

The rally to oil stocks faltered yesterday. It had come partly on expectations of higher crude prices but also, probably, because oil companies have just paid out dividends which appear to have been reinvested in oil company stocks.

Among oil stocks yesterday, Chevron was quoted \$¼ lower at midsession at \$67%, Mobil slipped \$¼ to \$62% and Exxon dropped \$% to \$50%.

Precious metals stocks were also mixed after their raily on a higher gold price, after gold started to retrace some of its recent gains. Battle Mountain Gold dipped \$% to \$17% and Newmont Gold lost \$1% to \$48. Retailing stocks were high-lighted yesterday as Novem-ber's retail sales data was

to \$83%, J C Penney gained \$1% to \$71% and Sears, Roebuck added \$% to \$38%.

Among featured individual Among reatured individual stocks yesterday was UAL, par-ent company of United Air-lines, which dropped \$61/4 to \$170. The board was scheduled

to meet yesterday but sources said thet the board was not likely to make any major steps towards an employee buy-out or any other major transaction.

Volvo AB of Sweden's ADRs listed on the over-the-counter market jumped \$4% to \$67% on news of its Procordia deal.

IN SPITE of early setbacks. Toronto stocks recovered by midsession on the back of strong U.S. retail sales figures.
The composite index gained
3.2 to 4,006.2 with volume of 19.7m shares. Declines headed advances 268 to 253. Industrials made a marked

Industrials made a marked recovery, offsetting weakness in golds, while oils rose on increased demand caused by the recent cold snap. Low supplies of oil and gas is creating a short-term boom in oil and gas share prices. Bow Valley jumped C3% to C\$12%, Northstar gained C\$% to C\$5% and Encor Inc rose five cents to C\$3.05 to lead the oil and gas C\$3.05 to lead the oil and gas

#### EUROPE

# Exchange rate trepidation quells bourse enthusiasm

CURRENCY and interest rate worries took the excitement out of continental bourses yesout of continental bourses yes-terday, leaving a tendency towards puzzlement, irritabil-ity and some timidity in its place, writes Our Markets Staff. PARIS was preoccupled with events in the foreign exchange markets and closed lower in subdued trade. The weakness of the dollar and the strength of the D-Mark raised questions of the D-Mark raised questions about the direction of French interest rates and there was little other cheering news to off-

set the nervous mood. However, one sector to move against the trend was oils, which were buoyed by rising prices for cruds and by the strong performance of oil stocks on Wall Street on Tues-day. BP France showed the strongest gain, up FFr6.80 at FFr154.90, while the heavily capitalised Elf Aquitaine gained FFr10 to FFr514.

Speculative stocks which past few days lost ground, with transport group Chargeurs falling FFr49 to FFr1,310. Paribas shed FFr12 to FFr678 as It emerged that it had falled to win control of its bid target, Navigation Mixte, which eased

FF17 to FF11,900. Leroy Somer, tha electric motors manufacturer, cama back from snspension and climbed FFr150, or 7.6 per cent, to FFr2,122, just below the FFr2,125 per share friendly takeover offer from Emerson Electric of the US. There have

been suggestions in the French press of a counter-bid. The OMF 50 index ended 3.87 lower at 536.65, just above the day's low, and the CAC real time index was down 11.59 at 1,960.42. Turnover was esti-mated at FFr2bn.

FRANKFURT recovered on hargain-hunting in the second half of the session, but it still closed with a 14.53 fall in the DAX index to 1,638.54, after a midsession drop of 7.57 to 685.57 in the FAZ.

NATIONAL AND REGIONAL MARKETS

Austria (15).

Prices were marked down before today's Bundesbank meeting. Yesterday's continued rise in the D-Mark against the dollar, and strength in the bond market suggested that an interest rate increase was unlikely, but thinking was unsettled by Swiss National Bank action on Lombard rates.

Volume virtually held its ground at DM7.1bn, Deutsche Bank topping the individual lists in turnover of DM1.3bn as it fell DM9.50 to DM768, on profit-taking after a satisfactory of the country of the co tory set of 10-month operating results. Daimler-Banz and Volkswagen were similarly hit, by DM15 to DM692, and by

DM12.70 to DM500 respectively.
Chemical shares, neglected on the upgrade, bucked the downward trend with Bayer up DM4.60 to DM284.60, Hoechst DM2 to DM271 and BASF by 90 pfg to DM281. Schering put on DM13 to DM787.50 on several large orders from abroad

rowly-based decline as the Crédit Suisse index dropped 6 to 616.1, once again in thin trading. It did not like the Swiss National Bank's announcement that the float-ing Lombard interest rate, fixed daily, will now be set 2 points higher than the average of the previous two days' call monsy rates, doubling the

usual premium.

The weaker dollar, and the agging Swiss franc contributed to the nervousness and uncertainty in equities. Banks were hardest hit, with Union Bank bearers down SFr65 to

AMSTERDAM remained very quiet, and weakened again under pressure from the falling dollar, which could hit export earnings, and from the absence of institutional investors. The fall in Daf's November commercial vehicle sales in the UK, and a disappointing forecast this week from Tulip Computers, also weighed on sentiment.

TUERDAY DECEMBER 12 1986

Pound Sterling Index

+0.7

146,59

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150.15

The CBS tendency index shed 12 to 1843, even though Royal Dutch was up F13.10 at F1 149.40, as oil prices rose sharply because of the severe

ABN, the banking group, lost 90 cents to F1 40.20 after amouncing a placing of 9.4m new and 7.5m existing shares with institutional investors.

BRUSSELS fell for the third concentions delicated by the statement of the statement consecutive day as higher interest rates kept huyers away. The cash market index closed down 23.23 at 6,443.28. Recent speculative stocks were the hardest hit. Tessenderlo fell BFr300 to BFr10,125, while Metallurgie Hoboken Overpelt

shid BFr275 to BFr21,100. STOCKHOLM showed strong approval of the Volvo-Procordia deal involving the leading drues group Pharmacia and food company Provendor. Volvo free B shares closed SKr20 ahead at SKr420, while Pharmacia free B shares

The Affärsvärlden General index rose 13.3 to 1,218.6 in active trading as the market remained in optimistic mood. Analysts said the deal, Sweden's biggest, was good for both parties and raised hopes of Volvo securing agreement with another manufacturer for cooperation in its car division. OSLO saw lively trading with Saga once again the focus of interest. Good news over the oil group's troubled North Sea

well boosted its price NKr5 to NKr63. The all-share index closed 6.63 higher at 514.67. MADRID eased 0.32 to 303.03 on the general index, awaiting

today's inflation figures.

#### **SOUTH AFRICA**

JOHANNESBURG remained in positive mood in quiet trading, although early gains were pul-led back by afternoon profit-taking. The all-gold index eased 29 points to a provi-

Dollar

MONDAY DECEMBER 11 1989

aterling Index

#### Poll worries TSE varies assault on speculation ignored in **Brazil** rally

BRAZILIAN stocks have rallied vigorously in spite of growing tension over Sunday's presidential election, writes

presidential election, writes John Barham in Sao Paolo.

A 12.5 per cent surge yesterday took the Sao Paulo Stock Exchange Ibovespa index to 43,368 points. On Tuesday, the index jumped 15.5 per cent, its largest increase this year.

Fears over hyperinflation and the quality of government debt prompted the rise. Argentina's suspension of service on government paper drove Brazilian investors into equities.

Brasilia finances \$70bn of debt on the overnight money debt on the overnight money market at a real rate of 6 per cent a month. Nominal rates have risen and inflation may rise by 48 per cent this month. Investors say equities are hedges against hyperinfiation because they represent claims on tangible assets and because private companies are soundy managed and liquid.

However, market operators four private could account

fear prices could collapse should Mr Luis Inacio Luis da Silva, the left-wing Workers Party candidate, be elected.

160.12 points at a record high for the third day running.

Margin trading, which allows the investor to trade on credit, was introduced to the Japanese stock market in 1951 and based on the US system of margin transactions. The system in Japan allows investors to have securities at a fraction APAN's financial authorities, who seem to have a more difficult time living with market excesses than their western counterparts, have maintained a number of regulatory measures to ensure that trading does not get too far out of hand.

Last week the Tokyo Stock Exchange announced that it and their regulatory measurements for the stock of their regulators. to buy securities at a fraction of their cost, by placing the collateral set by the TSE with the securities firm which carries out the transaction.

would tighten requirements for margin trading, in a bid to curb speculative activity which had been building up in the market. By reducing the valuation of securities lodged as collateral for margin trading, the TSE hoped to send out a signal to investors that the market was overheated.

This is the second time this year that the authorities have been obliged to step in. Investors got the message, but quickly and firmly decided to improve it. After diputing 132

ignore it. After dipping 139 points in the first 15 minutes of trading last Wednesday, the day after the TSE announcement, the Nikkei average was back up 31.94 points within the first hour. After that it continued npwards, chasing new highs through the day. The index closed with a gain of

margin sale, where the firm lends the investor the shares, it holds the proceeds obtained as colleteral

he idea was to encourage even individual investors, with limited means, to take part in the market. Although corporations are also allowed to buy on margin, financial firms and foreigners can only do so when the underlying securities have been submitted to a registrar. market

mitted to a registrar.

in margin buying, the securities firm holds a proportion of the shares which are bought on margin as collateral; in a

In a typical move to cool market activity the TSE will, first, raise the collateral requirement. This time, however, since tha collateral requirement was already fairly high at 60 per cent, the TSE decided instead to lower the valuation of the securities that are held as collateral, according to an Exchange official.

A lower value on the securities kept as collateral means that, in order to fulfil the required 60 per cent collateral figure, an investor needs to put down more than 60 per cent of the value of his purchase or sale.

These days, the application of tighter margin trading rules has more effect as an expression of the authorities' concern than as a concrete measure which puts pressure on the

It was different, once. "Like a series of body blows," is how one stock exchange official describes its effect in the market's earlier days.

Now, the individual investors the described in the market of the market.

tors who do most of the margin trading make up a smaller part of the market than when the system was originally devised. The balance of margin buy-ing for Japan's three stock markets reached a high of

Michiyo Nakamoto explains Japan's approach to margin trading Y8.49 trillion (\$58.8bn) at the beginning of this month. But the ratio of outstanding margin buying to total market capitalisation has been falling ever since it reached a peak of 2.01 per cent in December 1987. Lately the ratio has been lower than 1.5 per cent.

t the same time, Japan no longer has a liquidity problem. And those who do need to buy with borrowed money have plenty of other places to go to obtain funds, says Mr Toshiyuki Nishiguchi at Dalwa Securities. Nishiguchi at Daiwa Securities. Moreover, those buying on collateral rarely buy up to the limit of that collateral.

The TSE may decide to go further in curbing the market's speculative zeal. Market wisdom has it that the first regulatory mova actually gives a boost to bullish sentiment. It is only the second and third restrictive measures that really take effect. If those were to fall, the authorities could then resort to their well-publicised

resort to their well-publicised practice of "official guidance". In Japan, that can generally be counted on to have a high rate

# Nikkei average bursts through 38,000 level

A RENEWED burst of energy, and a wave of index-linked buying carried the Nikkei average above the 38,000 level for the first time yesterday, vorites Michigo Nakamoto in Takyo.

The Nikkei climbed throughout the day to close 258.89 higher at the day's high, a record 38,061.42, against a low

record 38,063.42, against a low of 37,830.87. Advances were 610, declines 321 and 207 issues

were unchanged.
Turnover, at 874m shares,
was only modestly higher than
the 847m traded on Tuesday.
The broad-based Topix index gained 10.44 to 2.878.46 and, in London, the ISE/Nikkei 50 index rose 0.38 to 2,174.9.

The Nikkei has seen a spectacular rise of over 2,000 points in the past three weeks. After breaching 36,000 on November 21 it shot up into the 37,000 range by the following week. The Tokyo Stock Exchange's

attempts to cool the market were all but ignored. Share prices maintained their upswing evan after the Exchange announced plans last week to tighten regulations on margin trading, which would make it more difficult. for investors to buy on credit. have converged to stimulate interest in equities. With attention focused on the Deutsche

has been relatively stable. Domestic interest rates have appeared to be peaking out, and signs of a slowdown in the US economy have begun to raise hopes of lower rates

However, the improved balance of supply and demand has been a strong feature. There is a structural excess of liquidity," says Mr Sachlo Hori at Goldman Sachs.

Some analysts think that the shock of the October 13/16 international equity collapse jolted confidence in overseas bourses, leading investors to park funds in the domestic market. Others say that disenchantment with the bond mar-ket led to a shift of funds from

Although liquidity has been high for some time, Japanese institutional investors tend to have large cash positions, and to take things cantiously, says Mr Norlo Watanabe at Credit Suisse Investment Advisory Co. "But this time," he says,

# Tokyo SE Turnover by volume (bn shares)

1989

1.0

0.8

"they just could not hold back." With an improved external environment, he added, the large number of investors who missed out on the blue chip rally earlier this year were coming in to improve their performance. Investors are well aware that January, traditionally, has been a very strong usually sees a seasonal rally.
Interest yesterday shifted to
smaller-capitalisation laggards, particularly among the electri-

Sanyo Blectric topped the actives list with 25m shares and rose Y42 to Y972. It was popular as a Soviet-related issue, since Sanyo has set up a representative office there.

Sharp, the consumer electronics company popular for its new generation crystalline liquid displays, was second in volume with 20m shares and added Y80 to Y1,760. Trading companies were pursued on the theme of trade with the Eastern bloc and C Itoh, third

in volume with 19.5m shares, gained Y40 to Y1,160.

Activity in laggards kept Osaka on the upbeat and the OSE average rose 100.58 to 38,944.50. Volume was higher at 101.4m shares, np from 77.4m on Tuesday. Arabian Oil, favoured on expectations of higher of prices ahead, gained

VOLATILITY faced many investors in the Asia Pacific region yesterday, as the politicians seemed to get into one market after another. Not all suffered from the incursion

HONG KONG continued its rally in its highest volume for nearly two months, the Hang Seng index climbing 42.26 to 2.851.84, its highest level since June 4 for a two-day gain of 3.2 per cent. Turnover jumped from HK\$1.06bn to HK\$1.4bn.

The rally was spiced by the The rally was spiced by the prospect of even more foreign buying as fund managers rejuggle regional portfolios to reduce exposure to the turbu-lent Philippines.

MANILA plunged for tha third successive day, on what was again perceived as foreign selling in the wake of the recent coup attempt. The com-posite index shed 58.93 to 1,103.28, down 16 per cent since

it reopened on Monday. Proceeds of the First Philip pine Fund, floated just prior to the coup attempt and listed on the New York Stock Exchange, will remain in the US if the will remain in the US it the political and economic situation in the Philippines dictates it, an adviser said yesterday.

SEOUL broke the record it had made only the previous day by jumping 36.26 points on the composite index, its largest rise ever in points terms, to close at \$15.72. On Tuesday, it

close at 915.72. On Tuesday, it surged 34.71 after the Govern-ment announced measures to boost foreign investment and liquidity.
Trading was much heavier

at 14.3m shares worth 300m won, as a record of 1.036 stocks advanced and only six

TAIPEI continued its upturn with a rise of 280.01, or 3.4 per cent, on the weighted index to 8,619.41. Volume rose to 1.1bn shares worth NT\$116bn from Tuesday's 768m shares valued

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